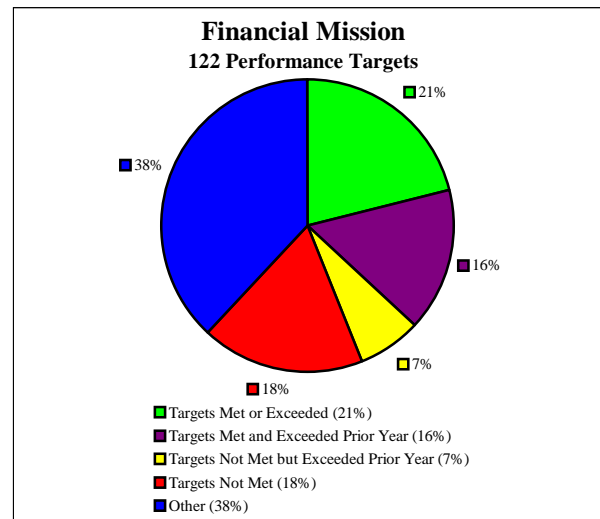


FINANCIAL MISSION AREA SUMMARY

MISSION: Manage the Government's Finances

As the primary fiscal agent for the Federal Government, Treasury manages the Nation's finances through collecting money due the United States, making its payments, managing its debt, performing central accounting functions, and producing coins and currency sufficient to meet demand.

This mission area is supported by programs managed by Treasury's Office of Tax Policy and Office of Domestic Finance, the Internal Revenue Service (IRS), the tax and tariff programs in the U.S. Customs Service, the Bureau of Alcohol, Tobacco and Firearms (ATF), the Financial Management Service (FMS), the Bureau of Public Debt (BPD), the Treasurer, the U. S. Mint, and the Bureau of Engraving and Printing (BEP).



FY 1999 Highlights:

Goal: Collect Revenue Due to the Federal Government

- The IRS collected \$1.9 trillion dollars in gross tax revenue in FY 1999 while implementing new customer oriented service programs to better help taxpayers meet their tax responsibilities. A record 29.3 million taxpayers, 19% over prior year, filed using convenient electronic filing options. IRS increased both the speed and accuracy of *e-file* tax return refunds. The percent of refunds made in less than 21 days increased from 98.7% in FY 1998 to 99.6% in FY 1999, and accuracy increased from 98.9% to 99.2%.
- Customs collected a total of \$22.1B from duties, excise taxes, and fees on imported and exported goods and services, while revenue compliance was maintained at 99% levels.
- ATF collected \$12.1 billion in excise taxes on the products it regulates. Working with other bureaus, including the IRS's Criminal Investigations Division and the Customs Service, investigations by ATF of diversions of alcohol and tobacco products resulted in 49 defendant prosecutions and seizures resulting in over \$11 million being credited to the Treasury Forfeiture Fund.

Goal: Manage the Federal Government's Accounts

- Treasury improved its cash management capabilities with systems enhancements to better monitor the Government's cash flow and cash and debt forecasts, the amount of Federal debt, and the management of the Treasury's daily cash position.

Goal: Cost Effectively Finance the Federal Government's Operations

- All of Treasury's auctions of marketable securities were conducted without error, and all results were announced with one hour. All interest and redemption payments made through TreasuryDirect were timely and accurate.
- Americans can now buy U.S. Savings Bonds over the Internet. Both Series EE and I are available.

Department of the Treasury - FY 1999 Program Performance Report

Goal: Improve the Efficiency of Production Operations and Maintain the Integrity of U.S. Coin and Currency

- Treasury introduced a new series of notes to reduce vulnerability to counterfeiting.
- A record 11.4 billion Federal Reserve Notes were produced and delivered to the Federal Reserve Bank in FY 1999 with a 16% increase in productivity levels at the Bureau of Engraving and Printing.
- The U.S. Mint successfully introduced five new coin designs in launching its 50 State Quarters program while producing circulating coinage at a historically high rate.

Treasury Objective: Improve and Simplify Tax Laws and Administrative Guidance, Consistent with Other Important Tax Policy Goals**Treasury Programs:**

This objective is difficult to measure objectively. Improvement and simplification of the tax law is driven by a variety of potentially competing goals, including fairness, minimal burden, equity, efficiency, progressivity, and revenue impact. Most tax law changes will advance one or more of these goals to the detriment of other goals. One thing is clear: taxpayers desire simplification. Some complexity of the tax law, however, is required by the increased complexity of the global economy and its transactions.

The Administration's Budget annually includes several legislative proposals to improve and simplify the tax law. However, tax law is largely a product of the legislative process. Thus, improvement and simplification of the tax code must be through agreement between the Congress and the Administration carefully balancing multiple policy objectives.

Treasury issues guidance that interpret the various provisions of the Internal Revenue Code and provides additional rules and regulations with respect to specific Code provisions. As the bureau responsible for administering the Code, the IRS is the primary drafter of most regulations published, and coordinates their development within Treasury. In addition, other published guidance is issued to interpret and explain the tax law. Such published guidance helps taxpayers better understand and meet their tax obligations. Published guidance also helps taxpayers plan their transactions with a clear understanding of the tax law in order to avoid uncertainty and controversy. This is increasingly important at a time when the complexity of tax law is perceived as a burden on taxpayers and an impediment to compliance with the tax law.

Under the IRS Restructuring and Reform Act (RRA) of 1998, IRS is required to provide an annual report to the Congress analyzing the sources of complexity in the administration of Federal tax laws. The report includes recommendations for reducing complexity of the administration of Federal tax laws and for repeal or modification of any provision the Commissioner believes adds undue and unnecessary complexity to these laws. The RRA also required that a tax complexity analysis accompany any committee report of legislation that directly or indirectly amends the Internal Revenue Code and which has widespread applicability to individuals or small businesses. This analysis is prepared by the staff of the Joint Committee on Taxation, in consultation with Treasury and the IRS.

FY 1999 Accomplishments and Results:

- Treasury initiated proposals and actions to crack down on corporate tax shelters. These efforts included developing and proposing extensive Budget proposals to address corporate tax shelters generically, issuing a White Paper explaining and analyzing the problem of corporate tax shelters, and issuing, along with the IRS, items of guidance to address specific sheltering transactions as they came to light. Treasury also issued a report to the Congress recommending restructuring of certain penalties affecting individuals and businesses to ease the burden on taxpayers and make the tax penalty structure fairer.
- Treasury also negotiated legislation for the extension of the research and development tax credit, protection for middle-income taxpayers from having personal credits limited by the alternative minimum tax (AMT), and a number of other tax extenders. Treasury also worked on a proposal to be included in the FY 2001 Budget that would simplify the AMT by allowing for a deduction for dependent exemptions and the standard deduction. By 2010, this proposal would reduce the number of taxpayers on the AMT by 9.4 million, from 17 million to 7.6 million.
- Treasury and IRS compose and publish a Guidance Priorities List (GPL) that details the significant guidance projects that warrant the highest priority for resources. In 1999, Treasury and IRS published a record 158 guidance projects that were detailed on the GPL. In total, 405 items of tax guidance were published (including items not on the GPL).

Department of the Treasury - FY 1999 Program Performance Report

- The IRS National Taxpayer Advocate continued to encourage suggestions for improvement from a variety of internal and external sources and received a number of legislative proposals for consideration. The National Taxpayer Advocate's FY 1999 Annual Report to Congress has identified complexity of the tax law as the most serious and burdensome problem facing America's taxpayers. Nineteen new legislative proposals were made in fiscal year 1999. Treasury also submitted four tax complexity analyses to the staff of the Joint Committee on Taxation for inclusion in legislative reports.

Following is a report on the performance targets in Treasury's FY 1999 Performance Plan related to this objective:

<i>Departmental Offices Performance Goal:</i> Promote the development and implementation of effective tax policies.			
Simple, Fair, and Efficient Taxation	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Qualitative Progress	See Below
<p>Explanation of Measure: In its efforts to simplify, and improve taxation, the Office of Tax Policy (OTP), in collaboration with the Internal Revenue Service, annually identifies and publishes a list of tax guidance priorities to identify projects for completion each year. These projects are identified in response to newly enacted legislation, court opinions, changes in the market, changes in taxpayer behavior, and comments from taxpayers or their representatives.</p> <p>The Guidance Priorities List (GPL) ensures that resources for published guidance focus on the highest priority projects. The GPL also serves as a means of communicating guidance priorities to taxpayers. As a result of this process, over 400 items of tax guidance were issued in FY 1999. OTP was also instrumental in a study to estimate the burden imposed on taxpayers in complying with aspects of tax law so that future laws and regulations can be developed with an eye to reducing burden.</p>			

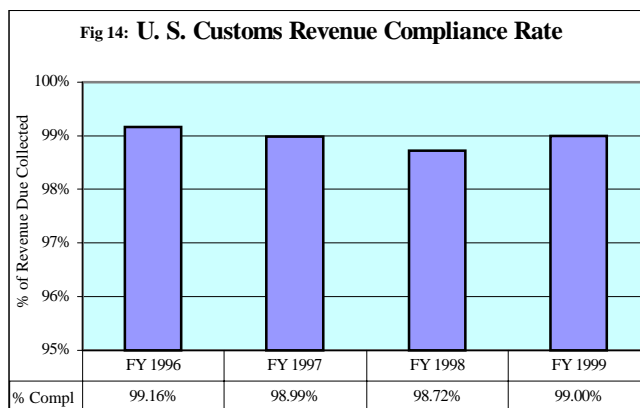
<i>Bureau of Alcohol, Tobacco and Firearms Performance Goal:</i> Develop National Revenue Center infrastructure, collect all the revenue rightfully due, and use electronic commerce.			
Burden Hours Reduced	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	963,570	606,630	484,600
<p>Explanation of Measure: This measure reflects the reduction of time from prior-year levels required to comply with ATF regulations, including the preparation of forms and record-keeping requirements. Burden is also defined as the number of forms required. This measure is tracked annually based on the number of forms and record keeping requirements.</p> <p>Explanation of Shortfall: Based on unforeseen changes in the laws and regulations, ATF was unable to meet the planned burden reduction performance measure. In addition, the original goal of 606,630 was overestimated. In order to further reduce taxpayer burden, ATF will continue to make greater use of electronic commerce and improve the infrastructure of the National Revenue Center. In addition, in FY 2000, the goal will be revised to a more appropriate level of 482,000. In FY 2001, this performance measure will be replaced by the percentage of entities filing electronically.</p>			

Treasury Objective: Increase Compliance with Tax and Trade Laws

Key Trends:

Voluntary compliance is the cornerstone of America's revenue collection system. Compared with many other countries, U.S. taxpayers as a group are highly compliant with the Nation's tax code and trade laws. The U.S. Customs Service estimates a very high compliance rate in revenue payments, i.e., the total import revenue amount collected as a percentage of the amount that is due (see Fig. 14).

The Internal Revenue Service (IRS) and the Bureau of Alcohol, Tobacco and Firearms (ATF) are working to develop similar outcome measures of compliance for their revenue collection programs.



Treasury Programs:

Internal Revenue Service. The IRS's mission is to provide America's taxpayers with top quality service by helping them to understand and meet their tax responsibilities and by applying the tax laws with integrity and fairness to all. The IRS's strategy is to emphasize customer service programs at each phase of the filing season to increase voluntary tax law compliance.

- Pre-filing assistance included improved telephone service to answer questions 24 hours a day, seven days a week, dedicated "Problem Solving Days" to assist taxpayers with problems, rewriting the most frequently used taxpayer notices to make them easier to understand and easier to complete, and expansion of electronic filing alternatives.
- Filing season programs focused on processing accuracy and the timeliness of refunds.
- Post-filing activities included customer satisfaction surveys of Examination, Collection, Employee Plans, Exempt Organizations, Customer Service, and Appeals to identify areas for further improvement. In accomplishing this strategy, the IRS must make certain that taxpayer privacy rights are protected as it explores more efficient and effective means to deliver service and enforce compliance.

To further these strategies in the future, the IRS is undergoing the most extensive organizational and technology modernization change in its history. FY 2000 will see the establishment of new operating divisions built around taxpayer needs, improved business processes to better serve taxpayers, refined operational measures, the development of strategic balanced measures, and the deployment of several key core business systems investments. For each taxpayer, IRS will focus on making filing easier, providing first-quality service to those needing help with their return or account, and providing prompt, professional, helpful treatment to taxpayers in cases where additional taxes may be due.

U.S. Customs Service. Faced with the challenge of rapidly expanding trade, Customs focuses on "informed compliance" by providing commodity-specific public outreach seminars, publications, and an Internet home page. To enhance revenue compliance, Customs sponsors various meetings and seminars that importers are invited to attend. Customs also provides special programs that provide importers with the necessary information to transmit compliant entries, even before the merchandise is shipped to the United States. In addition, Customs provides international outreach efforts including conferences designed to inform other nations of the United States trade laws.

Department of the Treasury - FY 1999 Program Performance Report

Bureau of Alcohol, Tobacco and Firearms. ATF collects revenue through alcohol, tobacco and firearms/ammunition excise taxes, special occupational taxes, and National Firearms Act enforcement regarding transfer taxes and various licenses and permit fees. These taxes and fees provide approximately \$12.1 billion in revenue to the Federal Government. The taxes and fees are collected through ATF's National Revenue Center.

In FY 2000, ATF will pursue its performance goal of developing the National Revenue Center infrastructure by introducing system enhancements that will allow the five independent databases at the Center to communicate with each other. Ultimately, taxpayers will be able to access the system via the Internet, call up a form and submit the form and the payment electronically. By using a digital version of the tax form and payment, ATF will increase revenue collection efficiency by decreasing the possibility of manual errors in submitting the return and payment. In addition, the new system will allow comparison with data collected from monthly statistical reports to insure that the proper amount of tax has been paid.

FY 1999 Accomplishments and Results:

- **U.S. Customs Service.** Customs continued to define and refine procedural trade requirements more clearly to promote efficiencies such as the rapid release of goods. The negotiations of the Free Trade Area of the Americas, begun in the spring of 1999, will go beyond previous trade agreements to include Customs clearance procedures. In addition, Customs continued to work with the Asian Pacific Economic Cooperation negotiations, the expansion of the Caribbean Basin Initiative, and to bring African nations into the mainstream of market economies.

Customs continued its efforts to improve compliance by providing additional information to the importing trade community. One of the major features of informed compliance is the Binding Rulings Program. In FY 1999, Customs issued over 12,000 separate binding rulings to importers, primarily on such subjects as tariff classification, customs valuation and country of origin. Ninety percent of those rulings were issued to the requestor within 30 days. All these rulings are available to the public on the Customs website in order to assist importers in correctly entering their merchandise. Customs also issued 11 Informed Compliance Publications covering a number of complex product areas, and posted these general guidelines on the website as another tool to be used in raising importer compliance.

- **Internal Revenue Service.** The IRS Restructuring and Reform Act of 1998 established 71 taxpayer rights provisions, each of which imposed additional procedures and/or new requirements for tax administration. The implementation of these provisions resulted in an increase in the time required to work existing cases and also required the IRS to divert compliance personnel to handle new procedures such as the Innocent Spouse and the Third Party Notice provisions. In addition, other compliance personnel were re-assigned to activities that provided extended hours of telephone and walk-in service. This all came on the heels of declining staffing from FY 1996 through FY 1999.

Because of these changes, the number of examination and collection cases handled declined by half, including a two-percent drop in corporate tax receipts in the midst of an unprecedented American economic expansion. This illustrated the need to balance the continued improvement in customer service with investments in enforcement programs that focus on high-income filers and particular sectors of the economy with special enforcement needs. To address this issue, the IRS requested funding of its STABLE (Staffing Tax Administration for Balance and Equity) initiative, which would provide resources to strengthen compliance and customer service.

- **Bureau of Alcohol, Tobacco and Firearms.** In cooperation with IRS and Customs, ATF investigated diversions of alcohol and tobacco products in FY 1999 resulting in 49 defendant prosecutions and seizures resulting in over \$11 million being credited to the Treasury Forfeiture Fund.

Following is a report on the performance targets in Treasury's FY 1999 Performance Plan related to this objective:

Department of the Treasury - FY 1999 Program Performance Report

Customs Service Performance Goal: Maximize trade compliance through a balanced program of informed compliance, targeted enforcement actions, and the facilitation of complying cargo.

Revenue Collection Compliance Rate	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	98.72%	99.06%	99.00%

Explanation of Measure: This measure is an estimate of the percentage of total import revenue due to Customs that is actually collected.

Explanation of Shortfall: The performance target was set at an appropriate level and the deviation from that level is slight (roughly \$1.2 million out of over \$21 billion in total revenue collected). Further, although the target was missed, the revenue compliance rate continues to be very high and results for FY 1999 exceeded the two prior fiscal years' levels. During FY 2000, the target is once again a 99.06% revenue compliance rate.

Trade Compliance Level	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	81%	85%	82%

Explanation of Measure: This measure is an estimate of the level of overall compliance with trade laws and regulations for imported goods. Compliance is determined by an intensive examination and analysis of a random sample of merchandise entering the country on an annual basis.

Explanation of Shortfall: Using risk management principals, Customs focused their resources on minimizing significant trade law discrepancies (such as shipments involving illegal narcotics, goods produced by forced labor, intellectual property rights violations, among others). Overall, 90 percent of import trade had no significant discrepancies in FY 1999, up from 89 percent in FY 1998. Although the specific performance target relating to overall trade compliance was not achieved, FY 1999 results improved over FY 1998 levels. In addition, Customs has recently implemented a risk management approach to raise compliance by focusing its resources on the accounts, industries, and commodities that have relatively low compliance levels.

Compliance with Trade Laws in Key Primary Focus Industries	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	84%	87%	85%

Explanation of Measure: This measure is the weighted average of compliance rates for imported goods in the Primary Focus Industries (PFIs). PFIs are those trade areas that Customs gives priority attention to because of such factors as revenue, quota, and domestic industry impact. These industries include advance information displays, agriculture, automobiles, automobile and truck parts, bearings, board level products, fasteners, production equipment, steel mill products, telecommunications and apparatus, textiles and textile products, and wearing apparel. The measure is calculated by dividing the estimated total number of entry lines of the industries into the estimated total number of compliance entries.

Explanation of Shortfall: Using risk management principals, Customs focused their resources on minimizing significant trade law discrepancies (such as shipments involving illegal narcotics, goods produced by forced labor, intellectual property rights violations, among others). Overall, 91 percent of import trade had no significant discrepancies in FY 1999, up from 90 percent in FY 1998. Although the specific performance target relating to overall trade compliance was not achieved, FY 1999 results improved over FY 1998 levels. In addition, Customs has recently implemented a risk management approach to raise compliance by focusing its resources on the accounts, industries, and commodities that have relatively low compliance levels.

Department of the Treasury - FY 1999 Program Performance Report

Internal Revenue Service Performance Goal: Service to each taxpayer (Customer Satisfaction).

Toll-Free – Level of Access	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	90%	80%-90%	68%

Explanation of Measure: This measures the percent of telephone calls attempted to the IRS in all components of the customer service function (Automated Collection System, Customer Service Toll-Free, and the Centralized Inventory and Distribution System). Calls which were abandoned by the caller after having been answered but while in queue for the next available assistor are included in the count of calls answered.

Explanation of Shortfall: The drop in Toll-Free Level of Access of almost 22 percentage points resulted from difficulties in providing experienced taxpayer assistors to cover the expanded hours of service and technical problems connected with the implementation of the Intelligent Call Router, which caused many callers to receive busy signals or have significant hold times. Consequently, many callers hung up and called again at a later time.

This measure has been replaced by "Toll-Free Level of Service," which more accurately reflects the percentage of customers who call and actually receive assistance from the IRS.

Toll-Free – Level of Service	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met

Explanation of Measure: This measures the percent of callers on toll-free telephone lines to the IRS who actually get through and receive service. The baseline was established at 53.3% for FY 1999.

Customer Satisfaction – Toll-Free	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met

Explanation of Measure: This measures IRS customers' overall level of satisfaction with the services provided by the IRS toll-free telephone program. The score for this measure, and those customer satisfaction measures following, represents the average overall level of customer satisfaction from Customer Satisfaction Transactional Surveys. Survey recipients were asked to rate IRS performance on a seven-point scale, where 1 indicates *Very Dissatisfied* and 7 indicates *Very Satisfied*. The FY 1999 customer satisfaction scores are based on surveys of calendar year 1998 activities. The baseline was established at 6.2 for FY 1999.

Note: Based upon a preliminary review by the Treasury Inspector General for Tax Administration of actual baseline data collected by the IRS, this measure may need to be refined.

Department of the Treasury - FY 1999 Program Performance Report

Internal Revenue Service Performance Goal: Service to each taxpayer (Customer Satisfaction).

Customer Satisfaction – Walk-In	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met

Explanation of Measure: This measures IRS customers' overall level of satisfaction score with the services provided by the IRS Walk-In program. Under this program taxpayers can walk into an IRS office for answers to their tax issues. The FY 1999 customer satisfaction scores are based on surveys of calendar year 1998 activities. The baseline was established at 6.4 (on a scale of 1 [low] to 7 [high]) for FY 1999.

Note: Based upon a preliminary review by the Treasury IG for Tax Administration of actual baseline data collected by the IRS, this measure may need to be refined.

Customer Satisfaction -- Field and Office Examination	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met

Explanation of Measure: This measures IRS customers' overall level of satisfaction score with the way their cases were handled by the IRS Field and Office Examination program. The FY 1999 customer satisfaction scores are based on surveys of calendar year 1998 activities. The baseline was established at 4.1 (on a scale of 1 [low] to 7 [high]) for FY 1999.

Note: Based upon a preliminary review by the Treasury IG for Tax Administration of actual baseline data collected by the IRS, this measure may need to be refined.

Customer Satisfaction -- Field Collection	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met

Explanation of Measure: This measures IRS customers' overall level of satisfaction with the way their cases were handled by the IRS Field Collection program. The FY 1999 customer satisfaction scores are based on surveys of calendar year 1998 activities. The baseline was established at 3.9 (on a scale of 1 [low] to 7 [high]) for FY 1999.

Customer Satisfaction -- Service Center Examination	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met

Explanation of Measure: This measures IRS customers' overall level of satisfaction with the IRS Service Center Examination process. The FY 1999 customer satisfaction scores are based on surveys of calendar year 1998 activities. The baseline was established at 3.9 (on a scale of 1 [low] to 7 [high]) for FY 1999.

Department of the Treasury - FY 1999 Program Performance Report

Internal Revenue Service Performance Goal: Service to each taxpayer (Customer Satisfaction).

Automated Collection System (ACS) – Customer Relations	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Not Met

Explanation of Measure: This measures the level of IRS customer satisfaction with ACS assistor interactions during reviewed telephone calls. The indicator is an average of the overall customer satisfaction rating of reviewed calls as computed from the IRS internal Customer Service Quality Review Data Base (QRDB).

Explanation of Shortfall: A baseline for this measure was not developed; rather a baseline for customer satisfaction for ACS was developed for the FY 2000 plan. This customer relations measure is discontinued because it is an internal measurement determined by IRS staff of customer satisfaction. IRS has adopted a measures philosophy to use customer satisfaction as determined by the external customers themselves as is the case with the new Customer Satisfaction – ACS measure. A FY 1999 baseline was established for the Customer Satisfaction - ACS measure.

Note: Based upon a preliminary review by the Treasury Inspector General for Tax Administration of actual baseline data collected by the IRS, this measure may need to be refined.

Currency of Taxpayer Advocate Inventory (in days)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	91.4	91.8	121.1

Explanation of Measure: The sum of average days open for cases (Problem Resolution Program cases only) in inventory, plus one standard deviation above that average to account for variation and processing time.

Explanation of Shortfall: Currency of inventory increased for several reasons: 1) the Taxpayer Advocate Service (TAS) reorganization, 2) the change in criteria for what is considered a TAS case (many new cases are now classified as TAS cases, increasing TAS's workload); and 3) the complexity of issues involved in the cases (e.g., cases referred from the Senate Finance Committee).

The measure has been discontinued because it is not a measure of results or outcome. In FY 2000, TAS will track and measure the cycle time of routine, complex, and team cases to help focus on timely actions in casework. TAS will conduct monthly reviews identifying "best practices" that seek to streamline the procedures used to address cases. The Cycle Time measure will be baselined in FY 2000.

Appeals Customer Satisfaction	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met

Explanation of Measure: This measures IRS customers' overall level of satisfaction with the way their cases were handled by the IRS Appeals program. The FY 1999 customer satisfaction scores are based on surveys of calendar year 1998 activities. The baseline was established at 4.44 for FY 1999.

Department of the Treasury - FY 1999 Program Performance Report

<i>Internal Revenue Service Performance Goal: Service to each taxpayer (Customer Satisfaction).</i>			
Exempt Organization Determination Customer Satisfaction	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met
<p>Explanation of Measure: This measures IRS customers' overall level of satisfaction with the way their cases were handled by the IRS Exempt Organizations Determination program. The FY 1999 customer satisfaction scores are based on surveys of calendar year 1998 activities. The baseline was established at 5.3 for FY 1999.</p>			
Exempt Plans Determination Customer Satisfaction	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met
<p>Explanation of Measure: This measures IRS customers' overall level of satisfaction with the way their cases were handled by the IRS Employee Plans Determination program services. The FY 1999 customer satisfaction scores are based on surveys of calendar year 1998 activities. The baseline was established at 5.5 for FY 1999.</p>			
Exempt Organizations Examination Customer Satisfaction	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met
<p>Explanation of Measure: This measures IRS customers' overall level of satisfaction with the way their cases were handled by the IRS Exempt Organizations Examination program. The FY 1999 customer satisfaction scores are based on surveys of calendar year 1998 activities. The baseline was established at 5.5 for FY 1999.</p>			
Exempt Plans Examination Customer Satisfaction	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met
<p>Explanation of Measure: Customers' overall level of satisfaction with the way their cases were handled by the IRS Employee Plans Examination program. The FY 1999 customer satisfaction scores are based on surveys of calendar year 1998 activities. The baseline was established at 5.4 for FY 1999.</p>			

Department of the Treasury - FY 1999 Program Performance Report

Internal Revenue Service Performance Goal: Service to all taxpayers (Business Results).

Tax Law Accuracy Rate for Taxpayer Inquiries (Toll-free)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	94%	85%	74%

Explanation of Measure: Accuracy of Tax Law information provided to taxpayers through the toll-free telephone assistance program.

Explanation of Shortfall: A primary reason for the shortfall is that IRS used a new system to measure accuracy levels in FY 1999. The Centralized Quality Review System (CQRS) is a more comprehensive quality review system than the Integrated Test Call Survey System (ITCSS) used in prior years. CQRS reviews are performed on live taxpayer inquiries in their entirety; ITCSS was designed to test only one aspect of a tax law topic. The CQRS-derived data will be used henceforth.

Other contributing factors for not meeting target were: 1) toll-free service was increased to 7 days per week, 24 hours per day and new, less experienced employees were hired to meet the expanded schedule of operations, and 2) technical problems occurred with the rollout of the Intelligent Call Router.

Field Collection Quality	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met

Explanation of Measure: The average of all collection cases sampled and reviewed by a third-party reviewer using the Collection Quality Measurement System (CQMS) quality standards adopted. The baseline was established at 86% for FY 1999.

Data for this measure is of uncertain accuracy. Factors that influence the reliability of the data include the accuracy of individual case reviews, sample size, age of the sample being reviewed, and the way in which the results are compiled. A process is currently being considered to verify the ratings given to overall case quality for this measure.

Field and Office Examination Quality	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met

Explanation of Measure: Results for the field examinations and for the office examinations are reported separately to highlight the differences in the two functions. The measure is the average of scores awarded to a sample of reviewed field examination cases and office examination cases by a third-party reviewer using the Examination Quality Measurement System quality standards adopted by IRS. The baselines were established at 65% (Field) and 70% (Office) for FY 1999.

Data for this measure is of uncertain accuracy. Factors that influence the reliability of the data include the accuracy of individual case reviews, sample size, age of the sample being reviewed and the way in which the results are compiled. Currently, samples are mailed to a central review site from each collection field branch on a weekly basis. Cases are reviewed and the reviewers input the item by item results to an electronic check sheet. Check sheet results and case scores are computed and compiled electronically on a monthly basis. A program automatically scores the individual standards on each review for a total individual case score, combines these and computes a monthly and cumulative average for each organizational segment. A process is currently being considered to verify the ratings given to overall case quality for this measure.

Department of the Treasury - FY 1999 Program Performance Report

Internal Revenue Service Performance Goal: Service to all taxpayers (Business Results).

Alternative Treatment Revenue	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met

Explanation of Measure: Alternative Treatment Revenue is defined as actual dollars collected/protected that are directly attributable to the application of an alternative treatment in districts or service centers. The cost associated with the generation of the revenue will be taken into account to judge the overall effect of applying a particular alternative treatment. The FY 1999 Actual does not include revenue reflecting the impact on the child tax credit and education credits, and is also included in Total Enforcement Revenue Collected and Total Enforcement Revenue Protected. The baseline was established at \$124.2 million for FY 1999. (The IRS is now considering this to be a workload indicator. As such, it will be used for planning and forecasting purposes only.)

Accounts Accuracy Rate for Taxpayer Inquiries (Toll-Free)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	87.9%	87.9%	81.7%

Explanation of Measure: Accuracy of Account information provided to taxpayers through the toll-free telephone assistance program.

Explanation of Shortfall: The target was not met due to a number of factors:

- 1) Toll-free service was increased to 7 days per week, 24 hours per day and new, less experienced employees were hired to meet the expanded schedule of operations;
- 2) A new approach was taken to managing how calls were handled in each call site. Broader ranges of skills were required due to the Intelligent Call Router Agent Groupings; and
- 3) The Nation-wide implementation of the newly developed Quality Review Database with more comprehensive quality review system and more stringent guidelines than the prior quality review system; and
- 4) technical problems connected with the rollout of the Intelligent Call Router.

Plans for FY 2000 to improve performance include:

- 1) Increasing the number of Intelligent Call Router Agent Groupings,
- 2) Identifying management actions that will mitigate quality loss associated with shifting assistors from paper to the phones and vice versa,
- 3) Providing ongoing research and analysis of Telephone and Correspondence quality data, and
- 4) Ensuring a "best practice" process is implemented organizationally.

Toll-free Timeliness	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met

Explanation of Measure: The percent of answered calls that are completed without requiring a written referral compared to the total number of calls answered by an assistor. The baseline was established at 77% for FY 1999.

Department of the Treasury - FY 1999 Program Performance Report

Internal Revenue Service Performance Goal: Service to all taxpayers (Business Results).

Toll-free Customer Relations (Tax Law and Accounts)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Not Met

Explanation of Measure: The level of customer satisfaction (as perceived by the IRS) with the assistor interactions during a reviewed telephone call.

Explanation of Shortfall: This measure was discontinued early in FY 1999; therefore no baseline data is being reported for FY 1999. The reason is that it has been superceded with a FY 1999 Toll Free Customer Satisfaction measure, which was developed for the FY 2000 plan. A FY 1999 baseline was established for the new Toll-Free Customer Satisfaction measure. This customer relations measure is discontinued because it is an internal measurement determined by an IRS staff member of customer satisfaction. IRS has adopted a measures philosophy to use customer satisfaction as determined by the external customers themselves as is the case with the new Toll Free Customer Satisfaction measure.

Service Center Examination -- Overage Inventory	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Not Met

Explanation of Measure: Unweighted average percent of the number of cases of Service Center Examination inventory that are older than 60 days.

Explanation of Shortfall: IRS was unable to establish the baseline for this measure due to lack of data. The measure will be baselined in FY 2000.

Service Center Examination Accuracy	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met

Explanation of Measure: Accuracy of information provided to taxpayers through the Service Center Examination and Automated Substitute for Returns (ASFR) programs. The measure is expressed as the percentage of reviewed cases where the examination information was provided accurately compared to the total number of Service Center Examination and ASFR cases reviewed. The baseline was established at 90.7% for FY 1999.

Toll-Free -- Adherence to Scheduled Hours	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met

Explanation of Measure: This percentage is calculated by dividing the IRS Toll free telephone-half hour schedule increments correctly staffed by the total number of scheduled increments. The number used to compare against the scheduled staff requirement is defined as employees that are either available to take a call, talking to a taxpayer, have a taxpayer on hold, or are completing paperwork from the last call. This data is then compared to the work schedule for the time period being evaluated. The FY 1999 Actual results represents the period of January through June 1999. The baseline was established at 24.7% for FY 1999.

Department of the Treasury - FY 1999 Program Performance Report

Internal Revenue Service Performance Goal: Service to all taxpayers (Business Results).

Taxpayer Advocate Average Processing Time (days)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	37.8	37.8	49.3

Explanation of Measure: The average time expended to resolve Taxpayer Advocate Cases (TACs) from the date cases are received to the date cases are closed.

Explanation of Shortfall: The performance decline in Taxpayer Advocate Average Processing Time from 37.8 to 49.3 days is due in part to a change in the criteria for what is considered a Taxpayer Advocate case. Many new cases are now classified as Taxpayer Advocate cases, resulting in the number of cases to be worked by TAS to increase. The complexity of the cases also was a significant factor in closing cases.

As part of the balanced measurement system, this measure has been discontinued and a new measure has been developed closing criteria. The measure has been renamed and new standards have been developed for evaluation. The new Cycle Time measure will be baselined in FY 2000. To improve cycle time, the Taxpayer Advocate Service (TAS) will track and measure the cycle time of routine, complex, and team cases to help focus on timely actions in casework. TAS will conduct monthly reviews identifying "best practices" that seek to streamline the procedures used to address cases.

Taxpayer Advocate Quality Customer Service Rate	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	80.8	81.3	78.9

Explanation of Measure: The rate at which Customer Service standards are met in processing Taxpayer Advocate Cases (TACs) based on monthly reviews of samples of closed cases. Rates by month and by office are derived through a scoring system that will allocate point values to the processing standards. As part of the balanced measurement system, the measure has been discontinued and a new measure has been developed with new evaluation standards.

Explanation of Shortfall: Due to the reorganization of the Taxpayer Advocate Service, local offices were not held accountable for meeting quality standard targets in FY 1999, and the Quality Customer Service Rate fell, not meeting the target. In FY 2000, this measure has been renamed to Casework Quality Index, which measures the effectiveness in meeting customer expectations against new standards of timeliness, accuracy, and communication, which should improve customer service.

Department of the Treasury - FY 1999 Program Performance Report

Internal Revenue Service Performance Goal: Service to all taxpayers (Business Results).

Field and Office Examination -- Volume/Mix (placeholder)

- a) Number of Returns Closed – Individual less than \$100,000
- b) Number of Returns Closed – Individual more than \$100,000
- c) Number of Returns Closed – Individual with schedules C or F
- d) Number of Returns Closed – Corporations with Assets less than \$10 million
- e) Number of Returns Closed – Corporations with Assets of \$10 million and over

**FY 1998
Actuals**

--

**FY 1999
Plan**

Baseline

**FY 1999
Actuals**

Met

Explanation of Measure: The sum of the returns of Individual Examinations (Tax Form 1040) closed by Revenue Agents, Tax Auditors, and Tax Examiners (in the district offices) from the beginning of the fiscal year with:

- a) a total positive income or total gross receipts less than \$100,000: Baseline is 289,725
- b) a total positive income or total gross receipts greater than \$100,000: Baseline is 94,759
- c) a Schedule C or a Schedule F as part of the return: Baseline is 102,482

The sum of Corporate (Form 1120) tax returns in Examinations closed by Revenue Agents from the beginning of the fiscal year with:

- d) gross assets less than \$10,000,000: Baseline is 27,481
- e) gross assets greater than \$10,000,000: Baseline is 10,287

Percentage of Field and Office Examination Cases Overage

**FY 1998
Actuals**

--

**FY 1999
Plan**

Baseline

**FY 1999
Actuals**

Met

Explanation of Measure: This measures the percentage of Examination cases in process for a period longer than 9 months (Field Examination) or 6 months (Office Audit) averaged over the previous 12 months. The baselines were established at 41% (Field) and 44% (Office) for FY 1999. Results for filed examinations and for office examinations are reported separately to highlight the differences in the two functions.

Field Collection -- Volume/Mix

- a) Number of cases closed TDA (Taxpayer Delinquent Accounts)
- b) Number of cases closed TDI (Taxpayer Delinquent Investigations)

**FY 1998
Actuals**

--

**FY 1999
Plan**

Baseline

**FY 1999
Actuals**

Met

Explanation of Measure: This measures: (1) The number of TDA modules that left inventory by moving to immediate resolution status or delayed resolution/no results status. TDA FY 1999 Baseline: 1,029,706. (2) The number of TDIs that left inventory by moving to immediate resolution status or delayed resolution/no results status. TDI FY 1999 Baseline: 168,271.

Percentage of Field Collection Cases Overage

**FY 1998
Actuals**

--

**FY 1999
Plan**

Baseline

**FY 1999
Actuals**

Met

Explanation of Measure: Percentage of Collection cases in process for 16 months or longer averaged over the previous 12 months. The FY 1999 baseline was established at 19%.

Department of the Treasury - FY 1999 Program Performance Report

Internal Revenue Service Performance Goal: Service to all taxpayers (Business Results).

Employee Plans (EP) Determination Letter Timeliness (days)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	118	145	129

Explanation of Measure: The average number of days to process an application requesting qualified plan status from the date the case is received to the date a determination letter is issued to the sponsor of an employee benefit plan.

Appeals Non-Docketed Cycle Time (days)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	210	210	223

Explanation of Measure: The number of days a case is in Appeals beginning with the date the case is received in Appeals and ending with the date the case is closed on the Appeals tracking system.

Explanation of Shortfall: Cycle time increased because of a decrease in appeals officer direct time. Time available for this work decreased from 59.9 % in FY 1998 to 56.8 % in FY 1999. The primary cause for the decrease were implementation issues related to the IRS Restructuring and Reform Act.

This measure has been discontinued. The new measure (Appeals Cycle Time) will be baselined in FY 2000. In FY 2000, appeals will use the following strategies:

- Develop a staffing model that will link cycle time and disposals to fluctuations in inventory levels,
- Use process analysis to identify ways to reduce cycle time in the Appeals processes through continuous systemic improvements, and
- Work with supplier functions to better estimate work coming to Appeals and make better planning decisions.

EO Examination Timeliness (days)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	251	259	238

Explanation of Measure: The average number of days from the date an agent first makes contact with the taxpayer for the examination of an exempt organization return to the date the examination is closed.

EP Examination Timeliness (days)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	193	200	191

Explanation of Measure: The average number of days from the date an agent first makes contact with the taxpayer for the examination of an employee plan return to the date the examination is closed.

Department of the Treasury - FY 1999 Program Performance Report

Internal Revenue Service Performance Goal: Service to all taxpayers (Business Results).

Percentage of Offers in Compromise Processed within 6 months – Collections	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	60.5%	59.3%	51.4%

Explanation of Measure: Percentage of offers closed as a result of acceptance, rejection or withdrawal within 6 months of the date the offer is accepted for investigation.

Data for this measure is of uncertain accuracy. The field provides manual input to the Automated Offer In Compromise System (AOIC). As the data is entered into AOIC, there are validity and consistency checks. If the input does not pass these checks, it is rejected and must be corrected before the data is accepted. This information is stored in databases and the AOIC report is then generated from the databases, validated, and corrected by a National Office analyst before being transcribed into the Contracting Office Information System (COINS) using the Management Info Development (MD) option. This is the basis for a Monthly Report of Offer in Compromise Activity. If an error report is generated by COINS, the information is revalidated and manually corrected by the National Office analyst.

Explanation of Shortfall: The Percentage of Offers In Compromise Processed Within Six Months was 51.4 percent, which was below the target of 59.3 percent. Reasons for not meeting the target included the following:

- Provided staff to assist other functions;
- Implemented procedural changes to the OIC program; and
- Provided taxpayers extensions of time to provide additional information regarding their offers.

Although the target will remain at the 51.4 percent level for FY 2000, it will increase to 60 percent in FY 2001. The percentage should continue to increase in FY 2002 due to increased staffing from the STABLE funding initiative. Collection will use the following overall strategies in FY 2000:

- Assist Collection personnel with understanding the linkage between operational actions and resulting outcomes;
- Pursue partnerships with other stakeholders, functions and resources to broaden our insights into customer needs, perspectives, and expectations; and
- Review reports monthly to identify practices or procedures that create problems for Collection customers.

Department of the Treasury - FY 1999 Program Performance Report

Internal Revenue Service Performance Goal: Service to all taxpayers (Business Results).

Exempt Organization (EO) Determination Letter Timeliness (days)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	85	85	92

Explanation of Measure: The average number of days to process an application requesting tax-exempt status from the date the case is received to the date a determination letter is issued to the requesting organization.

Explanation of Shortfall: The primary reasons for not meeting the timeliness measure were:

- Delays in up-front processing due to a lack of available resources;
- Diversion of Ohio Key District technical personnel to train new EO hires in the district office and in the EO Centralized Customer Service Unit; and
- Assignment of six Full Time Equivalents to the Cincinnati Service Center to answer more complex calls and/or correspondence transferred from Customer Service Representatives.

Coordination efforts will be taken to ensure resources are dedicated to EP/EO up-front processing to avoid inventory backlogs.

Percentage of Projects Delivered on Time – Statistics of Income	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	100%	90%	100%

Explanation of Measure: The number of Statistics of Income projects that are delivered on time (when customers need them) as a percentage of the total number of projects starting in the fiscal year.

Quality Customer Service Rate – Statistics of Income	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	98%	90%	99%

Explanation of Measure: The number of “satisfied customer inquiries” as a percentage of the total number of customer inquiries starting in the fiscal year. A customer inquiry is defined as satisfied in any of the following instances:

- The requested information was provided within a five-day timeframe;
- The customer was referred to another source (if Statistics of Income cannot provide the information); or
- The customer was informed that the information is not available.

Guidance and Assistance – Volume/Mix - Chief Council	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met

Explanation of Measure: The number of Counsel guidance and assistance work units (cases) closed in the given fiscal year. The FY 1999 baseline was 14,963.

Department of the Treasury - FY 1999 Program Performance Report

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results).*

Litigation Cases -- Volume/Mix - Chief Council	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met

Explanation of Measure: The number of Chief Counsel litigation cases and related work units closed in the given fiscal year. The FY 1999 baseline was 86,371.

Internal Revenue Service Performance Goal: *Productivity through a quality work environment (employee satisfaction).*

Employee Satisfaction (Service-wide)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met

Explanation of Measure: This is a measure of employee satisfaction throughout all of the IRS. This Service-wide measure, as well as all the following measures of employee satisfaction measures employee perceptions of the work environment, management practices, and organizational barriers that affect employees' willingness and ability to do a good job. Employees were asked to rate the IRS performance on a five-point scale, where 1 represents *strongly disagree* and 5 represents *strongly agree*. The employee satisfaction score is the average percentage of favorable ratings, or ratings of 4, "Agree" or 5, "Strongly Agree" across the 12 indexes included in the survey (training, resources, empowerment/involvement, quality, management effectiveness, manager/employee relations, manager communications, manager effectiveness, performance management, respect, ethics, and summary satisfaction). The FY 1999 baseline was 55%.

Employee Satisfaction – Automated Collection System Employee Satisfaction – Toll-Free Employee Satisfaction – Service Center Examination	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Unmet

Explanation of Measure: Employee satisfaction measures as described above were to be developed for individual programs within the Customer Service organization.

Explanation of Shortfall: While the IRS was able to establish an overall employee satisfaction baseline of 55% for the Customer Service organization, problems associated with the method used for coding employee satisfaction survey data within Customer Service prevented the IRS from establishing an employee satisfaction baseline by program area. The baseline score for this measure is a composite for all IRS employees who were part of the Customer Service organization at the time the survey was administered. Among the program areas included are ACS, Service Center Exam, Toll Free and Walk-in. For their FY 2000 performance plan, IRS intends to report on the composite level of employee satisfaction within the Customer Service organization.

Department of the Treasury - FY 1999 Program Performance Report

<i>Internal Revenue Service Performance Goal: Productivity through a quality work environment (employee satisfaction).</i>			
Employee Satisfaction -- Field and Office Examination	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met
Explanation of Measure: Survey of all Field and Office Examination employees. The FY 1999 baseline was 52%.			
Appeals Employee Satisfaction	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met
Explanation of Measure: Measures satisfaction levels of IRS's Appeals employees. The FY 1999 baseline was 58%.			
Employee Satisfaction -- Field Collection	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met
Explanation of Measure: Measures satisfaction levels of all IRS Field Collection employees. The FY 1999 baseline was 47%.			
Employee Satisfaction -- EP/EO	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met
Explanation of Measure: Measures satisfaction levels of all employees in the IRS's Employee Plans and Exempt Organizations (EP/EO) unit, now reorganized to the Tax Exempt and Government Entities organization. The FY 1999 baseline was 57%.			

Department of the Treasury - FY 1999 Program Performance Report

Bureau of Alcohol, Tobacco and Firearms Performance Goal: *Develop National Revenue Center infrastructure, collect all the revenue rightfully due, and use electronic commerce.*

Taxes/Fee Collected from the Alcohol, Tobacco, Firearms, and Explosives Industry (\$ in billions)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	\$12.4	\$12.4	\$12.1

Explanation of Measure: This measure includes revenue collected through alcohol, tobacco, and firearms/ammunition excise taxes, special occupation taxes, transfer tax and various license and permit fees.

Explanation of Shortfall: Tobacco excise taxes have been decreasing for the last several years because U.S. public consumption has been decreasing. In order to improve tax projections, ATF has hired industry analysts for all the industries it regulates. The analysts will be responsible for developing improved projection models and performing tax gap analysis so ATF can more accurately predict the amount of taxes due the government from these industries and ensure that ATF collects the proper amount.

Bureau of Alcohol, Tobacco and Firearms Performance Goal: *Develop National Revenue Center infrastructure and use electronic commerce.*

Taxes and Fees Collected per Dollar of Collection Expense	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	\$248	\$250	\$193

Explanation of Measure: This measures the amount of taxes and fees collected divided by the amount of resources expended to collect such taxes and fees.

Explanation of Shortfall: The shortfall was due to increases in overall operating expenses, primarily salary costs, and decreases in collections due to a decline in U.S. tobacco consumption. In FY 2000, ATF will continue to improve the infrastructure of the National Revenue Center, enabling more taxpayers to file electronically. This will then improve the ratio of revenue collected to resources expended.

Treasury Objective: Modernize Internal Revenue Service (IRS) Information Technology to Increase Timeliness and Accuracy of Processing

Key Trends:

The IRS' long-range strategy to improve processing timeliness and accuracy is to increase taxpayer use of electronic filing options (see Fig. 15).

Electronic returns eliminate the need for error-susceptible and costly manual transcription of information from paper forms into electronic format (see Figs. 16 and 17). Accuracy and refund timeliness are expected to continue improving as the number of electronic filings increases.

Treasury Programs:

IRS plans, through its Electronic Tax Administration (ETA) program, to expand its marketing and communication efforts to increase public awareness of electronic filing benefits. ETA targets several customer groups:

Individuals:

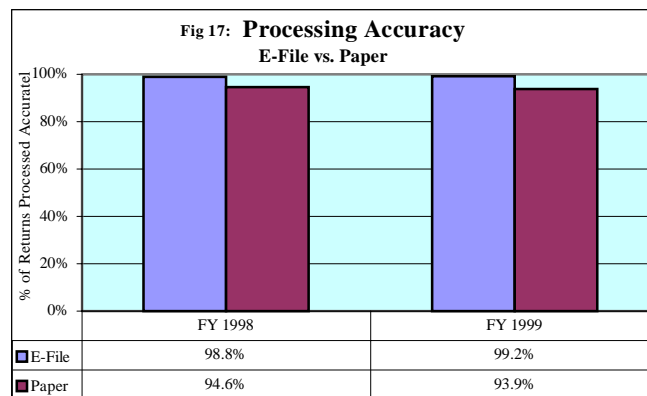
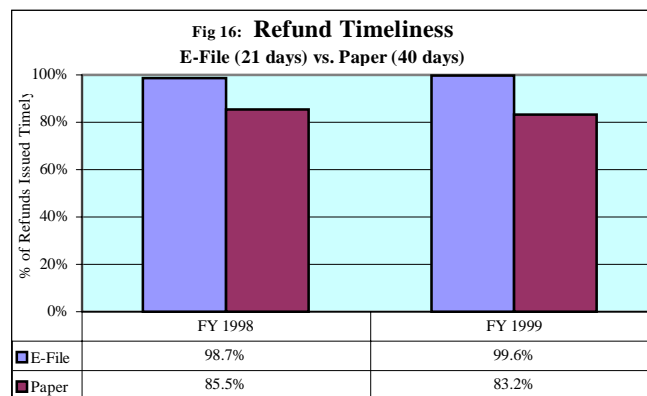
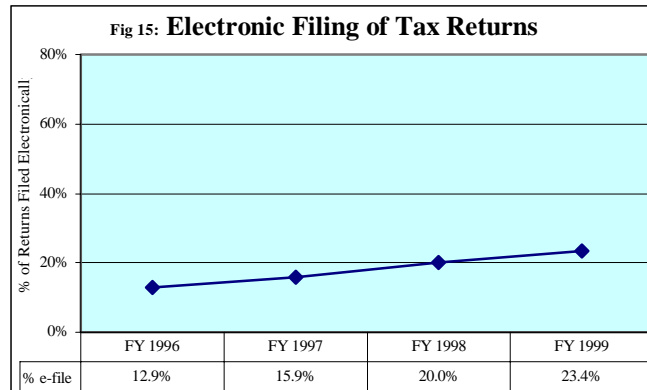
- More individual taxpayers will be able to file totally paperless returns as the IRS expands its Personal Identification Number pilot and accepts more forms and schedules electronically.

Businesses:

- Employers will have the added option of filing their quarterly Forms 941 from their office computer.
- Payers who transmit information returns to the IRS electronically will have an extra month, from February 28 to March 31, to file.
- Partnerships will be able to file Forms 1065 and related Schedule K-1's electronically in March of 2000.
- The Electronic Federal Tax Payment System will launch an Internet website to allow paperless enrollment, on-line payments, on-line account research and customer service.

Practitioners:

- The IRS will begin piloting an Account Management Program to service the needs of Electronic Return Originators, financial institutions, large and small employers, and payroll service providers who distribute electronic tax administration processes and services to taxpayers.



Department of the Treasury - FY 1999 Program Performance Report

FY 1999 Accomplishments and Results:

- A record 29.3 million taxpayers, 19 percent more than the prior year, filed in 1999 using one of three convenient *e-file* options. In addition, the IRS conducted two pilots that provided a paperless filing experience for over one million taxpayers. These pilots involved the use of Personal Identification Numbers as the taxpayer's signature, eliminating the need to file the paper jurat.
- In 1999, approximately 2.61 million businesses were enrolled in the Electronic Federal Tax Payment System. In addition, taxpayers made more than \$1.3 trillion in tax deposits electronically. This program allows taxpayers to make their Federal tax deposits over the telephone or using a personal computer, thus eliminating the need for paper deposit coupons and checks that are subject to processing errors.
- The percent of individual returns filed electronically, which includes all returns where electronic filing is permitted such as practitioner *e-file*, TeleFile, Volunteer Income Tax Assistance, On-Line Filing, and Federal/State returns, increased from 19.8% in FY 1998 to 23.4% in FY 1999, exceeding the target of 23%.

Following is a report on the performance targets in Treasury's FY 1999 Performance Plan related to this objective:

<i>Internal Revenue Service Performance Goal: Service to each taxpayer (customer satisfaction).</i>			
Customer satisfaction -- Automated Collection System	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met
<p>Explanation of Measure: The FY 1999 Customer Satisfaction Score based on surveys of calendar year 1998 activities for customers of the Automated Collection System. The score represents the average overall level of customer satisfaction from Customer Satisfaction Transactional Surveys. Survey recipients were asked to rate IRS performance on a seven-point scale, where 1 indicates <i>Very Dissatisfied</i> and 7 indicates <i>Very Satisfied</i>. The baseline was established at 5.9 for FY 1999.</p> <p>Note: Based upon a preliminary review by the Treasury Inspector General for Tax Administration of actual baseline data collected by the IRS, this measure may need to be refined.</p>			

<i>Internal Revenue Service Performance Goal: Service to all taxpayers (Business Results).</i>			
Refund timeliness -- paper (%)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met
<p>Explanation of Measure: Percentage of refunds for paper filed returns processed in less than 40 days. Electronically filed returns are excluded from this measure. The baseline was established at 83.2% for FY 1999.</p>			

Department of the Treasury - FY 1999 Program Performance Report

Internal Revenue Service Performance Goal: Service to all taxpayers (Business Results).

Refund Timeliness – e-file (%)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	99%	98%	100%

Explanation of Measure: Percentage of refunds for electronically filed returns processed in less than 21 days.

Internal Revenue Service Performance Goal: Service to all taxpayers (Business Results).

Processing Accuracy Rate -- paper filing: Code & Edit	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	96.1%	96.0%	96.8%

Explanation of Measure: The percentage of Individual Master File (IMF) returns, Other Than Full Paid (OTFP), Code and Edit processed without code and edit errors. (OTFP returns are those that are due a refund, have a credit elect, are even balance, or are partially paid. 86% to 87% of OTFP returns are due a refund. OTFP returns are sorted separately from the full-paid returns and have an earlier program completion date than full-paid returns.)

Processing Accuracy Rate -- paper filing: Distributed Input System	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	94.6%	94.6%	93.9%

Explanation of Measure: The percentage of IMF returns, OTFP, Distributed Input System processed without transcription errors.

Explanation of Shortfall: The shortfall was due to the learning curve for transcription operators as the Distributed Input System was replaced by the new Integrated Submission and Remittance Processing (ISRP) System.

Processing Accuracy Rate – e-file	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	98.9%	99.0%	99.2%

Explanation of Measure: The total number of electronically filed returns that go to the Error Resolution System (ERS) divided by the total number of electronically filed returns. Once the total e-file count has been established and verified, the returns pass into routine processing streams where error rates are determined by ERS. The counts from ERS attributed to e-file are calculated using the unique e-file identifying numbers.

Department of the Treasury - FY 1999 Program Performance Report

Internal Revenue Service Performance Goal: Service to all taxpayers (Business Results).

Number of Individual Returns Filed through Electronic Returns Originators (EROs) (millions)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	17.7	20.9	21.2

Explanation of Measure: Total number of returns from individuals that are filed electronically through EROs.

Notice Accuracy Rate	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	98.4%	98.5%	97.4%

Explanation of Measure: The percent of correct total Master File [Individual (IMF) and Business (BMF)] notices issued to taxpayers (method of count excludes systemic defects). The rate is determined through a sample of work.

Explanation of Shortfall: The target was missed because of the large number of errors made in the Error Resolution System due to the loss of many experienced examiners to Customer Service. The notice accuracy rate was below the goal even though notice accuracy performance was improved by the use of the Computer Assisted Review of the Error Resolution System (CARE). From March through September, CARE prevented over 41,000 erroneous notices, with the total erroneous amount of over \$719 million, from being refunded to taxpayers. To address this issue in FY 2000, IRS will continue to use the CARE program to monitor the quality of notices sent to taxpayers. Each processing center will have one full-time CARE analyst (up from one half-time analyst in FY 1999) to identify trends and causes of errors in notices sent to taxpayers. The CARE analysts will propose solutions to correct both IRS errors and taxpayer-related errors.

Department of the Treasury - FY 1999 Program Performance Report

Internal Revenue Service Performance Goal: Service to all taxpayers (Business Results).

Number of Eligible Quarterly Forms (Form 941) filed through TeleFile (in thousands)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	581.9 (Corrected Actual)	1,146.1	915.7

Explanation of Measure: Total number of Forms 941 from eligible businesses (approximately 3.3 million Tax Packages are mailed per quarter) filed through TeleFile.

Explanation of Shortfall: The Number of Eligible Quarterly Forms (Form 941) filed through TeleFile did not meet the projected target. The program is relatively new. The IRS expanded the filing options available to employers filing Forms 941 with a TeleFile pilot in 1997. The FY 1999 projections for 941 TeleFile were actually developed with results from only one complete year - FY 1998. The accuracy of the projections will increase as the program matures and more experience and historical data are acquired.

A number of strategies will be used during FY 2000 which causes IRS to expect all electronic filing to increase significantly as a growing number of individual and business taxpayers enjoy their benefits including an accuracy rate of 99 percent, fast refunds and satisfied customers. More electronic payment options will also be made available to taxpayers including accepting Automated ClearingHouse (ACH) debit payments through the TeleFile system. Projected TeleFile receipts for FY 2000 have been adjusted downward to 5.9 million to account for the impact of the tax law changes and the shift to On-Line filing that occurred during FY 1999. A wide range of electronic filing and payment options will also be available to businesses. Employers will have the added option of filing quarterly employment tax returns over their office computers in addition to the existing *e-file* and TeleFile programs that also are expected to grow in FY 2000. Based on an update to the methodology for developing projections of the number of employers eligible to participate in TeleFile, FY 2000 receipts will not reach the one million mark as originally projected, but are still expected to increase over FY 1999 levels.

Number of TeleFile Returns (millions)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	6.0	6.6	5.7

Explanation of Measure: Total number of individual tax returns filed using a touch-tone telephone to reach the TeleFile system. The necessary information is provided by the taxpayer's responses to TeleFile system voice prompts.

Explanation of Shortfall: The decline in the number of TeleFile Returns from the target resulted from the impact of tax law changes in 1998 that affected taxpayers who had previously filed through TeleFile. Taxpayers who claimed the Lifetime Credit for Students and Hope Scholarship Credits were no longer eligible to file through TeleFile. The growth in on-line filing that occurred during the FY 1999 filing season also played a role in the drop in the number of taxpayers filing through TeleFile. Plans to address the shortfall are described in the preceding measure explanation.

Department of the Treasury - FY 1999 Program Performance Report

Internal Revenue Service Performance Goal: Service to all taxpayers (Business Results).

Percent of Individual Returns Filed Electronically	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	19.8%	23.0%	23.4%

Explanation of Measure: Number of electronically filed individual tax returns divided by the total returns filed. Includes all returns where electronic filing is permitted (practitioner *e-file*, TeleFile, VITA [Volunteer Income Tax Assistance], On-Line Filing, Federal/State returns, etc.).

Percentage of Dollars Received Electronically	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	67.7%	78.0%	72.1%

Explanation of Measure: The total dollar amount of all Federal tax payments received electronically (by electronic funds transfer) stated as a percentage of the total dollar amount of all Federal tax payments received.

Explanation of Shortfall: The formula for establishing the target for FY 1999 did not take into account the country's economic expansion and growth in non-depository receipts such as use of direct debit and credit cards to pay taxes. Thus the goal of 78% was not achieved. The formula has been revised to reflect the Office of Management and Budget's projected total receipt for goal setting in the future. Using the new formula, the goal for FY 2000 has been revised from 78% to 75.3%.

Plans to address growth in FY 2000 include more electronic payment options that will be made available to taxpayers including accepting Automated Clearing House (ACH) debit payments through the TeleFile system.

Automated Collection System (ACS) -- On-Line Accuracy	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met

Explanation of Measure: Accuracy of on-line information provided to taxpayers evaluated via live monitoring of ACS calls. The FY 1999 baseline was established at 68.7%.

Automated Collection System -- Cycle Timeliness	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	Baseline	Met

Explanation of Measure: Average number of weeks to close ACS cases. The measure includes cases closed as a result of systemic removal of some cases based on age and other criteria. The FY 1999 baseline also includes a one-time closure of accumulated inventory meeting the criteria resulting in increased cycle time. The FY 1999 baseline was established at 60.7 weeks.

Department of the Treasury - FY 1999 Program Performance Report

Internal Revenue Service Performance Goal: Service to all taxpayers (Business Results).

Automated Collection System -- Overage Inventory

FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
--	Baseline	Not Met

Explanation of Measure: The measured the percent of ACS Taxpayer Delinquent Account (TDA) inventory and the ACS Taxpayer Delinquency Investigation (TDI) inventory that is older than nine months is no longer suitable.

Explanation of Shortfall: Data was collected during FY 1999, but the data did not correctly reflect ACS overage because of significant changes made in ACS inventory management. Currently, ACS is in the process of establishing new criteria to track the age of inventory.

Automated Collection System -- Level of Service

FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
--	Baseline	Met

Explanation of Measure: This measures the telephone calls attempted (demand) compared to number of calls answered through the Automated Collection System. Calls abandoned after having been answered but while in queue for the next available assistor are not included in the count of calls answered. The FY 1999 baseline was established at 80.7%.

Master File Weekend Update Completion Time

FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
66.0%	85.6%	98.4%

Explanation of Measure: This measures the percentage of timely completion of taxpayer accounts over a year's time. Individual, business, and other taxpayer information databases are updated each weekend using the master files located in the Martinsburg Computing Center. The target completion time is 8 PM each Sunday. This allows sufficient time to create and send notices to taxpayers and to create internal reports to manage accounts. The average excludes data from the Atlanta Service Center (ATSC). If ATSC data were factored in, the average would have been 92.5%. ATSC required an upgraded processor, which was installed on October 11, 1999. Since October 11, the ATSC target time has been met 100%.

Corporate Files On Line (CFOL) Availability to Front Line Personnel

FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
99.7%	99.0%	99.2%

Explanation of Measure: CFOL allows IRS employees to access master file data (taxpayer account information on-line). It provides IRS employees current taxpayer information. Availability is measured by computing the scheduled availability versus the actual availability.

Department of the Treasury - FY 1999 Program Performance Report

Internal Revenue Service Performance Goal: Service to all taxpayers (Business Results).

**Integrated Data Retrieval System (IDRS) Real Time
Availability to Front Line Personnel**

**FY 1998
Actuals**

**FY 1999
Plan**

**FY 1999
Actuals**

99.4%

99.0%

99.2%

Explanation of Measure: The IDRS system provides on-line taxpayer account access, allowing IRS employees to respond to taxpayer inquiries and keep account information current. IDRS is provided by the ten service centers. The same factors affecting performance for the CFOL Availability measure affect the IDRS Real Time Availability measure, i.e., the system is still considered "available" to other users even though a telecommunications connection is unavailable for a specific group of users. These occurrences, as well as the unavailability of IDRS' command codes, are not counted against the IDRS availability computation.

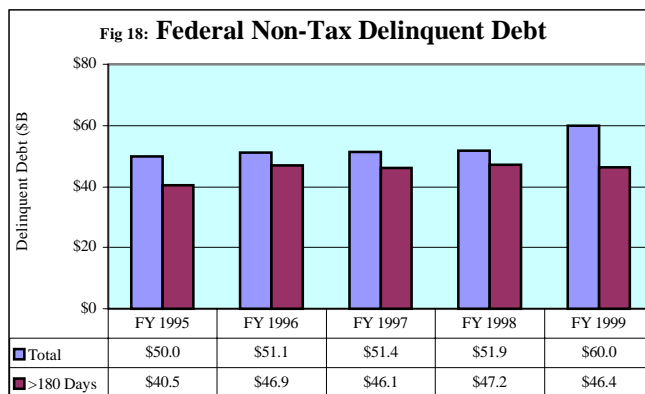
Treasury Objective: Improve Federal Non-Tax Debt Collections

Key Trends:

The Debt Collection Improvement Act (DCIA) of 1996 generally requires Federal agencies to refer delinquent debts (over 180 days old) to Treasury's Financial Management Service (FMS) for collection. FMS provides these services through a network linking its own debt collection expertise and capabilities with those of FMS' financial centers, Federal program agencies' debt collection centers, private collection agencies, and the U.S. Department of Justice.

The success of Treasury's debt collection programs depends on providing effective and efficient debt collection and debt management services to all Federal agencies, leading the development and implementation of Government-wide debt management policies, and timely referrals of delinquent debts by program agencies. Actual collection depends on external economic and legislative variables beyond Treasury's control.

Since passage of DCIA, both the number of eligible delinquent debts referred to Treasury for collection and the amount of debt collected have steadily increased. However, although Treasury collections have increased, the levels of non-tax debt have generally been increasing over the past five years (see Fig. 18).



Treasury Programs:

The DCIA authorizes FMS to collect Federal, non-tax delinquent debts, and requires Federal agencies to refer their non-tax debt, which is more than 180 days delinquent to FMS for collection. Cross-servicing is the process whereby Federal agencies refer delinquent debts to FMS for collection. In order to effectively collect the debts that agencies refer, FMS employs a variety of collection mechanisms, including demand letters, follow-up telephone calls, skip tracing (i.e., locating debtors), administrative offset, administrative wage garnishment, and private collection agencies.

The Treasury Offset Program (TOP) is a centralized offset program designed by FMS to assist agencies in the collection of delinquent debts, including non-tax debt and child-support obligations. FMS maintains a database of delinquent debtor records referred from Federal agencies and states which is matched against the nearly 880 million annual payments made by FMS on behalf of more than 400 Federal agencies, totaling more than \$1 trillion. TOP enables FMS to match delinquent debtor files against payment files. When a match occurs, the payment is intercepted and the payment is offset, in whole or in part, up to the amount of the debt.

For the future, FMS expects to:

- Increase cross-servicing referrals by assisting agencies in eliminating barriers to debt referral and by working with the agencies to develop and adopt improved debt collection techniques which include target dates for referral of debts more than 180 days delinquent.
- Expand the number and kinds of payments and debt (e.g., general tax debt) which can be offset or levied to collect delinquent debt.

Department of the Treasury - FY 1999 Program Performance Report

- Continue its educational outreach efforts by sponsoring conferences to educate representatives from agencies and states on the TOP process, and to enhance cooperation between Federal and state agencies.

FY 1999 Accomplishments and Results:

FMS' cross-servicing collections for FY 1999 were \$23.5 million. This is nearly three times greater than the \$9.8 million collected in FY 1998. FY 1999 saw the first decline of delinquent debt over 180 days old in five years. Total collections were somewhat less than \$2 billion in 1998, but more than \$2.6 billion in 1999. This is a result of Treasury's aggressive pursuit of debt referrals and the TOP program.

Because of TOP, Federal non-tax debt referrals to TOP increased more than 27 percent in FY 1999. Child-support debt referrals to TOP increased by 12.4 % in FY 1999.

During the year, FMS worked closely with the Departments of Housing and Urban Development, Agriculture, and Health and Human Services, to increase their debt referrals to Treasury. Each of these agencies referred more debt to Treasury in FY 1999 than in any previous year.

Following is a report on the performance targets in Treasury's FY 1999 Performance Plan related to this objective:

<i>Financial Management Service Performance Goal:</i> By FY 2002, FMS manages a consolidated debt management function that will concentrate Federal delinquent debt collection efforts and produce improved results.			
Non-Tax Debt Collected (\$B)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	\$1.988	\$1.997	\$2.631
Explanation of Measure: The measure provides information on the total dollars collected through debt collection tools operated by the Financial Management Service (FMS), including Tax Refund Offset (TOP) and other collection measures.			
Percentage of Delinquent Debt that is Referred to Treasury for Collection, as Compared to the Amount of Delinquent Debt that is Eligible for Referral	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	68%	71%
Explanation of Measure: The Debt Collection Improvement Act of 1996 requires (with exceptions) that all Federal agencies refer delinquent debt over 180 days old to Treasury for offset and cross-servicing. This measure tracks the dollar value of debt referred to FMS as a percentage of the total dollar volume that is eligible for referral.			

Treasury Objective: Assist and Provide Financial Guidance to Other Federal Agencies on Privatizing Assets and Operations in a Manner that Protects the Interest of Taxpayers

Treasury Programs:

Over the years, the Treasury Department, working with the Office of Management and Budget (OMB) and relevant program agencies, has helped to develop appropriate legislation to authorize the privatization of various Federal assets and entities and to implement such privatizations by providing financial guidance to the entities involved in order to protect the financial interests of the taxpayer.

High-level indications of progress in this area include ensuring that the privatizations that have taken place have yielded the maximum returns and cost savings possible for the benefit of the taxpayer and have eliminated any future recourse by the privatized entity, or links and ties, to the Federal Government. In this regard, the Treasury Department took a lead role in privatizing such Government-sponsored enterprises as the Student Loan Marketing Association (Sallie Mae) in 1998 and the College Construction Loan Insurance Association (Connie Lee) in 1997.

Treasury also took a lead role in selling the Naval Petroleum Reserves at Elk Hills, CA, in 1997, the Alaska Power Administration in 1998, and the United States Enrichment Corporation (a then-wholly-owned Government corporation) in 1998. In addition, Treasury has reviewed legislative proposals to restructure the remaining Federal Power Marketing Administrations, the Postal Service, the Rural Telephone Bank, Amtrak, certain Federal reclamation projects, and other Government entities.

The Offices of Domestic Finance (primarily the Offices of Government Financial Policy and Federal Finance), Economic Policy, Legislative Affairs, and the General Counsel have worked on privatization efforts, described above. Financial expertise has been provided by the Offices of Domestic Finance and Economic Policy. Legislative and legal advice has been provided by the Offices of Legislative Affairs and the General Counsel, respectively.

In recognition of Treasury's key role in providing financial guidance to agencies in developing privatization legislation and implementing such legislation, a separate Office of Privatization was authorized in FY 1997 at then-Secretary Rubin's request, to be established within the Office of Government Financial Policy, a sub-office of the Office of Domestic Finance. Funding was provided to create the new office, but the office was never staffed. The Department's work on privatization efforts, however, continues to be carried out by relevant staff from the above offices.

FY 1999 Accomplishments and Results:

During FY 1999, Treasury continued reviewing and providing financial guidance on various privatization legislative proposals, including draft legislation to convert the existing Rural Telephone Bank, a mixed-ownership Government corporation under the supervision of the Agriculture Department, into a privatized new entity to be called the Rural Telecommunications Bank. The Department has also provided financial guidance on the ongoing revision of OMB Circular A-129, which, in part, provides guidelines for Federal agencies to use in selling their loan assets. The revised circular is expected to be finalized shortly.

Treasury Objective: Ensure All Federal Payments are Accurate and Timely**Treasury Programs:**

One of the most visible services of the Federal Government to the public is making Federal payments. Federal program agencies, such as the Health Care Financing Administration or the Veterans Administration, are responsible for determining for their programs the correct amount and timing of payments, as well as the correct recipients. Federal program agencies certify this information to Treasury's Financial Management Service (FMS), which then disburses the payments. In FY 1999, after receiving these certifications by civilian Federal agencies, FMS produced nearly 880 million payments, totaling more than \$1 trillion.

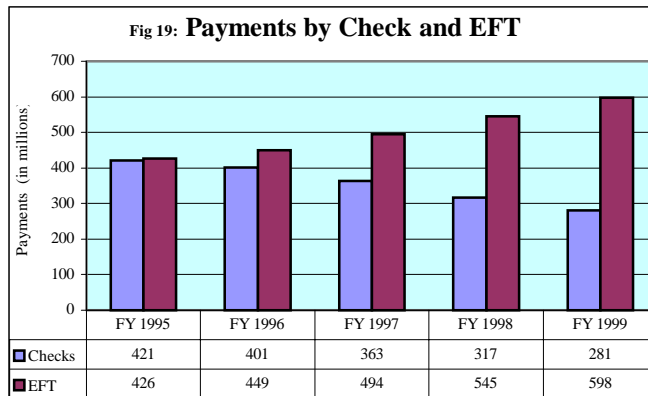
Timeliness and accuracy levels have been consistently very high. Only about 14,000 of nearly 281,000,000 checks were not delivered timely in FY 1999, a ratio of 5 per 100,000.

FMS pursues several strategies to improve the Government's payment processes.

- ***Electronic Data Interchange (EDI).*** In partnership with 16 Federal agencies, FMS has been expanding EDI as a payment alternative in FY 1999. EDI permits the transmission of information, such as invoice details, along with the payment file. Since program inception in 1996, the number of invoices processed increased 800 percent, the number of items processed increased 2,000 percent, and value of payments increased 400 percent (to \$2 billion in FY 1999). By consolidating 1.8 million invoices into 250,000 payments, the EDI payment process eliminated the need for 1.55 million individual checks or electronic payments in FY 1999.
- ***Plastic Card Technologies.*** To reduce the amount of cash circulating at military bases, FMS works closely with all branches of the military to research and develop "plastic card technologies." Examples are "stored value cards" or "smart cards" which are credit card-sized plastic cards with embedded computer chips. Various kinds of these cards are "reinventing" cash transactions at military bases by replacing physical signatures, forms, and user identification.
- ***Internet Credit Card.*** The Internet credit card pilot is another successful initiative. The Internet credit card essentially takes the physical "swipe box" of today and replaces it with the personal computer and an Internet connection. In FY 1999, this technology performed transactions worth more than \$ 10 million. The Internet credit card enables FMS to assist Federal agencies to meet their electronic commerce goals. The reduction of paper and simple modifications to accounting systems to incorporate Internet credit card transactions quickly transform an agency's cash processes into electronic commerce.
- ***E-Check.*** Another example of new technology research and development is the electronic check ("e-check") pilot. E-check is an all-electronic payment mechanism modeled on the paper check. It is designed to reduce marginal transaction costs to zero, to allow remittance data to be securely attached, and to permit transport of the transaction over any medium. The e-check technology is based on a consortium of financial institutions, technology firms, and public institutions (IBM, Bank of Boston, the Federal Reserve Bank of Boston, Sun Microsystems, Citibank, Bank of America, Stanford University, and Bell Labs).

FY 1999 Accomplishments and Results:

Making payments electronically is key to FMS's strategy to increase timeliness and accuracy levels, and they have made great strides over the past few years in this area. They have increased EFT payments over the last four years from a little over 50% to the current 68% (see Fig. 19), accomplished in part by their massive marketing efforts to inform the public about the advantages of Direct Deposit. Check volume has decreased an average of 6.6% each year from FY 1995 to FY 1999 as a result of the implementation of the Debt Collection Improvement Act of 1996 and the extensive "EFT 99" marketing/education campaign.



Following is a report on the performance targets in Treasury's FY 1999 Performance Plan related to this objective:

Financial Management Service Performance Goal: *By FY 2000, there is a world-class delivery of all Federal Government payments and associated information to their ultimate destination.*

Dollar Savings by Reducing the Number of Check Payments (\$ in millions)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	\$13.1	\$13.8	\$10.3

Explanation of Measure: This measure reflects savings to all Federal Program Agencies (FPAs) for which FMS disburses payments, including FMS. Most of the Government savings are not to FMS, but to the authorizing FPAs, since they currently reimburse FMS for check postage. The dollar savings are calculated from an average of \$0.2868 per check, with more than 280 million in FY 1999, savings in postage and materials only for check production, multiplied by the difference in check volumes from one fiscal year to the next (e.g., FY 1998 to FY 1999).

Explanation of Shortfall: The movement to EFT slowed when mandatory EFT was made optional. Therefore, beneficiaries and payees can choose to receive their payments by check, instead of direct deposit, or the new ETA accounts. We fell short of our FY 1999 Final Plan by \$3.5 million.

Percentage of Check Payments Released on Time	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	99.9951%	99.9993%	99.9949%

Explanation of Measure: This measure rates the effectiveness of the payments issuance process. "On-time" means that FMS releases checks to the U.S. Postal Service (USPS) and EFT payments to the Federal Reserve Bank (FRB) so that their normal delivery will result in timely receipt by the payees.

Explanation of Shortfall: The target was missed by .0044%, which represents 14,319 checks not released to the USPS on time versus approximately 281 million checks released on time to the USPS. The target was set at an approximate level and the deviation from that level is slight. The actual results did not effect overall program performance.

Department of the Treasury - FY 1999 Program Performance Report

Financial Management Service Performance Goal: By FY 2000, there is a world-class delivery of all Federal Government payments and associated information to their ultimate destination.

Percentage of Payments Customers Indicating an Overall Rating of Satisfied or Better

FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
99%	99%	99%

Explanation of Measure: This measure directly assesses satisfaction of payments customers with both checks and electronic payments. It is based on a survey that is sent to disbursing customers.

Percentage of Instances Where FMS Adjudicates Forgery and Non-receipt Check Claims within 14 Days

FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
82%	90%	94%

Explanation of Measure: This measure assesses the efficiency of claims processing. Adjudication is a segment of the entire process. The measure records the time it takes a claims analyst to make a determination to settle, deny or to defer a final disposition of the claim pending the receipt of additional information and/or investigative reports.

Percentage of time FMS makes Treasury payments and associated information electronically

FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
63%	69%	68%

Explanation of Measure: This measure shows the portion of the total volume of payments that are made electronically by FMS. Electronic payments include transfers made through the automated clearinghouse and wire transfer payments made through the FEDWIRE system.

Explanation of Shortfall: The target was missed primarily because there was a larger volume of tax refunds checks this fiscal year than forecasted. Tax refunds are primarily check payments. FY 1999 performance was significantly above prior year levels.

Number of states in which direct Federal Electronic Benefits Transfer (EBT) will be retrofitted

FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
7	16	8

Explanation of Measure: Currently, most states have EBT programs for state administered benefits. At the request of individual states, Treasury makes direct Federal benefits electronically available to recipients, using their state EBT card, by designating a Financial Agent to provide this retrofitting function. Treasury also has the option of providing access to Federal benefit recipients through a voluntarily opened account which is defined by Treasury, known as an Electronic Transfer Account (ETA). Banks volunteer to provide this account to recipients, and agree to meet Treasury standards for the account. Having direct Federal EBT available in an individual state means that one of these two options is approved and functional within a given state.

Explanation of Shortfall: No state Governments expressed interest in the retrofit options for delivering Federal benefits. Also, since ETA is the preferred option of the current Administration, the measure is no longer an effective measure of FMS performance and will be discontinued.

Department of the Treasury - FY 1999 Program Performance Report

Financial Management Service Performance Goal: By FY 2000, there is a world-class delivery of all Federal Government payments and associated information to their ultimate destination.

Unit cost to FMS for Federal Government payments	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	\$0.2500	\$0.2186	\$0.2158

Explanation of Measure: The measure indicates the unit cost which FMS incurs for making a payment (electronic or paper) for a Federal Program Agency.

Treasury Objective: Ensure that the Government's Cash Management Minimizes Risk and Provides Immediate Flow and Balance Information

Treasury Programs:

One of the most important functions performed by the Treasury Department is management of the Government's cash to ensure that funds are available on a daily basis to cover Federal payments. To accomplish this, Treasury must accurately monitor the Government's receipts and payments and correctly predict the Government's future daily cash requirements.

Performing this cash flow management function with the most up-to-date and accurate information reduces the burden on taxpayers by ensuring that the cost of borrowing funds is minimized.

Along with Treasury's Office of Cash and Debt Management and the Federal Reserve Bank of New York, the Financial Management Service (FMS) plays an integral role in monitoring the receipts and expenditures of the Federal Government and in estimating the amount of cash needed daily by the Government for its anticipated payments.

- ***The Office of the Fiscal Assistant Secretary*** supervises the administration of the Government's fiscal affairs, including the administration of Treasury financing operations and management of Treasury's operating balance, which consists of cash in Treasury's Federal Reserve account and Treasury's tax and loan investment accounts with commercial financial institutions. In addition, the Office is responsible for improved cash management, debt collection, and credit administration on a Government-wide basis. The Office of Cash and Debt Management manages the cash position of the Treasury and projects and monitors "debt subject-to-limit" and conducts Government-wide accounting and cash management activities.
- ***The Financial Management Service*** is charged with developing and managing Federal financial systems to move the Government's cash flow efficiently, effectively, and securely. It supports other Government agencies by serving as the Government's primary disbursing agent, collection agent, accountant and reporter of financial information and collector of delinquent Federal debt.

FY 1999 Accomplishments and Results: Treasury accomplished this objective by effectively controlling cash and credit management activities for the Federal Government and for improving the movement of Federal funds with a daily cash flow of more than \$10 billion.

One significant FY 1999 accomplishment is the implementation of the second phase of CASH TRACK, the state-of-the-art automated system for cash and debt management, which has greatly facilitated financial decision making. CASH TRACK has automated many processes that were accomplished manually in older systems, expediting the time when crucial data is available. This has enabled Treasury to accelerate from 10:05 a.m. to 9:05 a.m. the time at which daily cash management decisions are made, which affect cash balances and enhance investment actions.

In 1999, FMS began working with Riggs National Bank to redesign the system for collecting and disseminating information about Government collections. This system, known as CASHLINK II, will: 1) automatically transmits deposit data into the CASH TRACK system and 2) automate the processes for helping to arrive at agency forecast information for reporting into CASH TRACK. This will make daily forecasting faster, more accurate and more efficient. CASHLINK II is targeted for implementation in FY 2002.

Department of the Treasury - FY 1999 Program Performance Report

Following is a report on the performance targets in Treasury's FY 1999 Performance Plan related to this objective:

<i>Financial Management Service Performance Goal: By FY 2002, FMS ensures that the Federal Government serves as a model for financial management.</i>			
Percentage of Days the Daily Treasury Statement (DTS) is Released On Time	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	98% (Corrected Actual)	99%	100%
<p>Explanation of Measure: This is a measure of effectiveness, since timeliness is critical to this function. Of the total workdays in the fiscal year, this measure shows the percentage of those days in which FMS met the agreed-upon standards for timeliness in providing the DTS to the Treasury. The DTS is a public document that Treasury publishes on a daily basis to reflect the cash transactions, holdings, loans, debts, etc., of the Government's money for the previous day.</p>			
Electronic Collections as a Percentage of Total Collections	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	69%	75%	72%
<p>Explanation of Measure: This measure considers the percentage of Government collections that are collected by electronic mechanisms compared to total Government collections of current debt.</p> <p>Explanation of Shortfall: This shortfall reflects a decrease in the percentage of corporate taxes collected electronically as agencies and financial agents concentrated on Y2K priorities.</p>			
Percentage of Corporate Withholding Taxes Collected Electronically	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	84%	94%	89%
<p>Explanation of Measure: This measure describes the percentage of corporate withholding taxes, only, collected compared to total withholding taxes collected.</p> <p>Explanation of Shortfall: This target was not met for two primary reasons. First the threat of financial penalty for not making electronic deposits was administratively waived through June 30, 1999; and second, effective July 1, 1999, the threshold for mandatory electronic deposits was raised from \$50,000 in annual tax deposits to \$200,000. In combination, these two actions empowered business that might otherwise have made their deposits to continue using their bank's paper coupons.</p>			

Department of the Treasury - FY 1999 Program Performance Report

Financial Management Service Performance Goal: *By FY 2002, the Federal Government's cash management environment has integrity, meets customer requirements and results in a lower cost of Federal Government.*

Percentage Increase over Prior Year in Transmissions of Value (Collections) and Associated Information Made Using Financial Electronic Data Interchange (EDI)

**FY 1998
Actuals**

**FY 1999
Plan**

**FY 1999
Actuals**

-2%

30%

89%

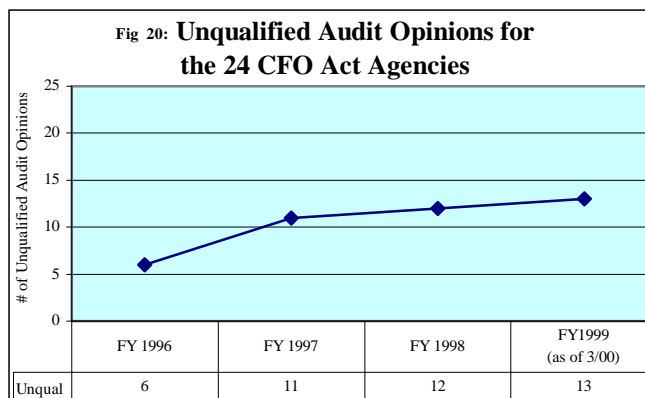
Explanation of Measure: This measure describes the annual increase in electronic collections, specifically through the EDI mechanism. Financial institutions and Federal agencies report deposits into the CASH-LINK deposit reporting system.

Treasury Objective: Provide Accurate and Timely Financial Information and Support the Government-wide Implementation of Accounting Standards

Key Trends:

Providing accurate and timely financial information and implementing accounting standards is an ongoing challenge for all Federal agencies. The Chief Financial Officers (CFO) Act requires that the 24 largest executive branch agencies provide audited financial information comparable to the private sector.

As a result, each year Federal agencies prepare financial statements in accordance with Government-wide accounting standards. These statements are then audited by an independent organization that provides an opinion as to whether they are adequately supported and free of significant omissions or misstatements. An indicator of success is the number of the 24 major CFO Act agencies that have received an unqualified audit opinion on their financial statements (see Fig. 20). An "unqualified" opinion means that the financial records are adequately supported and free of significant omissions or misstatements.



An indicator of quality under this objective include is the Daily Treasury Statement, which is released on schedule by the Financial Management Service (FMS) between 98% and 100% of the time. This statement shows the "cash and debt operations" of the Government for each day, showing the operating cash balance and the deposits and withdrawals of the operating cash.

Treasury Programs:

Treasury's FMS, the Government's primary accountant and reporter of financial information, works with Federal agencies to help them adopt uniform accounting and reporting standards and systems. This is critical to FMS' ability to gather and publish Government-wide financial information that is used by the public and private sectors to monitor the Government's financial status and establish fiscal and monetary policies.

- **FMS' Center for Applied Financial Management** provides training to Federal employees throughout the Government on various aspects of financial management. The Center also assists agencies to convert to the Standard General Ledger, to reconcile their records with those of Treasury, and to understand Federal financial reporting requirements.
- **The Government-wide Accounting (GWA) Project** is re-examining FMS' existing business processes and making fundamental changes. This long-term project is expected to significantly affect existing systems of FMS and Federal agencies. The GWA Project will help FMS meet its mission by streamlining reporting and reconciliation processes, and eliminating redundant data submissions from program agencies to central agencies which require reconciliation. In the future, FMS will produce more timely, accurate, and reliable financial reports while, at the same time, reduce the reporting burden on program agencies.

Department of the Treasury - FY 1999 Program Performance Report

FY 1999 Accomplishments and Results:

- In FY 1999, FMS compiled and published the "Financial Report of the United States Government." It included audited financial statements covering the executive branch, as well as parts of the legislative and judicial branches of the U.S. Government for FY 1998. This was the second consolidated report on the Federal Government. The General Accounting Office (GAO) audited this report, but was unable to form an opinion on the reliability of the financial statements because of "significant financial systems weaknesses, problems with fundamental record keeping and financial reporting, incomplete documentation, and weak internal controls, including computer controls." In the Financial Report, then Secretary Rubin stated:

"The Administration is committed to continuing its work with the GAO, Federal agencies, and other interested parties to achieve the President's goal of receiving an unqualified opinion from the GAO on the Financial Report of the United States Government. We believe that the publication of this financial report is an important step in providing the American public with useful information about their Government's assets, liabilities and operations. "

- FMS compiled and released the Daily Treasury Statement (which summarizes data on cash and debt operations for the Federal Government) on schedule 100% of the time. This and the other Government-wide financial information gathered and published by FMS are used by the public and private sectors to monitor the Government's financial status and establish fiscal and monetary policies.
- FMS's Center for Applied Financial Management trained more than 650 Federal employees on the Standard General Ledger, accounting standards, and preparation of financial statements, all of which are critical components of the Government-wide accounting framework. An additional 1,200 Federal employees were trained specifically on financial reporting functions and requirements. In total, The Center trained nearly 4,300 Federal employees. The Center also cross-serviced and implemented commercial "off-the-shelf" accounting software packages at 11 agencies. These packages all complied with the Government's standards for financial software.

Following is a report on the performance targets in Treasury's FY 1999 Performance Plan related to this objective:

<i>Financial Management Service Performance Goal:</i> By FY 2002, FMS ensures that the Federal Government serves as a model for financial management.			
Percentage of Agency Reports for the <i>Financial Report of the U.S. Government</i> Processed by FMS Within the Established Standard Range	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	81%	97%	Data Not Available
<p>Explanation of Measure: FMS collects and compiles the agency financial statements for the <i>Financial Report of the U. S. Government</i>. The reports are processed with specified data validity checks. FMS measures its processing performance against the established standard range.</p> <p>Explanation of Actuals: The results for this measure will not be available until late March, 2000, not in time for inclusion in this report. FY 1999 results will be reported in the FY 2000 report.</p>			

Department of the Treasury - FY 1999 Program Performance Report

Financial Management Service Performance Goal: By FY 2002, FMS ensures that the Federal Government serves as a model for financial management.

Percentage of Days the Daily Treasury Statement is Released On Time

FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
98% (Corrected Actual)	99%	100%

Explanation of Measure: This is a measure of effectiveness, since timeliness is critical to this function. Of the total workdays in the fiscal year, this measure shows the percentage of those days in which FMS met the agreed-upon standards for timeliness in providing the Daily Treasury Statement (DTS) to the Treasury.

Percent of GOALS I Applications Redeveloped for Migration to the GOALS II Platform

FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
15%	60%	60%

Explanation of Measure: This measure gauges the progress of the conversion of FMS's financial systems. The percentages represent completed applications and are verified on the project plan that is tracked at a detail task level. "GOALS I" is the acronym for the Government Online Accounting Link System. This system was being used by Government agencies to report their financial data to FMS, but as an older system it was outdated and expensive. FMS is now converting to the new Internet-based "GOALS II" system.

Treasury Objective: Strengthen the Government's Financial Infrastructure to Improve the Efficiency of Program Management Across Government**Treasury Programs:**

Treasury's Financial Management Service (FMS) plays a critical role in strengthening a number of components of the Government's financial infrastructure. The often exponential growth in the capability of information and communication technologies has presented FMS with considerable opportunity to improve the financial systems underpinning its responsibility for:

- Providing Government-wide accounting and reporting services;
- Compiling and publishing Government-wide financial reports;
- Operating the Government's collection and deposit systems;
- Providing central payments services for Executive Branch Agencies;
- Processing and resolving claims on all lost, stolen, and forged payments;
- Overseeing the Government's daily cash flow;
- Managing Government-wide debt collection services; and
- Providing Government-wide policy and assistance for cash and credit management.

FMS harnesses advancing technologies to provide state-of-the-art approaches which best meet customers' needs. At the same time, FMS must ensure appropriate levels of security for systems through which FMS collects more than \$2 trillion and disburses more than \$1 trillion annually. FMS's systems must also provide complete and accurate financial information with a high degree of systems integrity.

Examples of FMS's commitment to continuous improvement include:

- ***Federal Agencies Centralized Trial Balance System H (FACTS II)*** implementation to improve the integrity and quality of agencies' budget execution data and to eliminate year-end reconciliation problems between FMS and the Office of Management and Budget.
- Replacement of all components of the ***Government On-Line Accounting Link System (GOALS)*** through which all Federal program agency accounting data is collected and disseminated. The new, state-of-the-art GOALS 11 system, will take advantage of new technologies and the Internet to enable easier access to, and more timely availability of, critical Government-wide central accounting information.

Other examples of improvement to the Government's financial infrastructure are 1) FMS's expansion of the network used by the State Department for making international payments and sending associated messages, and 2) adoption of a Bank of America system for payments to vendors overseas by Federal stateside agencies.

FY 1999 Accomplishments and Results:

- FMS successfully partnered with the Federal Reserve Bank of San Francisco (FRB-SF) to combine the Tax Refund Offset Program with the Treasury Offset Program to collect delinquent debt. FRB-SF provided design and development support while relying on FMS for functional knowledge, system requirements, systems testing, and computer "platform" support. This partnership continues to grow with the development of programs to collect tax debt and to offset Government payments for Social Security and Federal employee salaries.
- FMS implemented aggressive information technology (IT) security and management control programs to ensure that all financial systems and associated computer controls have integrity and are secure, and that all FMS employees and contractors are aware of IT security policies and practices. This included providing FMS-wide security awareness training to more than 1,500 individuals, 15 on-site security reviews, and elimination of a substantial number of problems. In FY 1999, FMS also re-vitalized its management control program to better ensure the effective management and use of FMS resources and to provide additional protection against fraud, waste and abuse.

Department of the Treasury - FY 1999 Program Performance Report

Following is a report on the performance targets in Treasury's FY 1999 Performance Plan related to this objective:

<i>Financial Management Service Performance Goal: By FY 2002, FMS ensures that the Federal Government serves as a model for financial management.</i>			
Percent Decrease in Unresolved Prior Year Recommendations and Audit Findings that Prevent a Clean Opinion on the Audit of the Financial Report of the U.S. Government	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	25%	Data Not Available
<p>Explanation of Measure: This is a measure of improvements in the accuracy and integrity of the report through the decrease or elimination of the number of material and non-material audit findings, to achieve an unqualified "clean" audit opinion.</p> <p>Explanation of Actual: The data for this measure will not be available until the end of March, 2000, upon completion of the GAO audit in March 2000. FY 1999 results will be reported in the FY 2000 report.</p>			

Treasury Objective: Finance the Federal Government in the Most Cost Effective Manner Over the Long Term**Treasury Programs:**

One of the primary methods for financing the Federal Government is borrowing what is necessary to meet the regular monetary needs to operate the Government. This financing includes the issuance of both conventional securities (marketable and non-marketable) and the introduction of new products, such as inflation-indexed securities in order to attract participation by a wide range of investors. Treasury uses a wide range of security offerings to finance Government operations and to promote thrift, and, through its Bureau of the Public Debt (BPD), has improved its means of borrowing and servicing the debt over the past several years.

Treasury's **Office of the Fiscal Assistant Secretary** supervises the administration of the Government's fiscal affairs, including the administration of Treasury financing operations. One way that this office affects the cost efficiency of financing the Federal Government is to pay the Government's bills on time, thus avoiding interest penalties.

The Bureau of the Public Debt is Treasury's primary bureau for conducting financing operations. Its mission is to borrow the money needed to operate the Federal Government and to account for the resulting debt. BPD accomplishes this through the issuing and servicing of a variety of securities. Marketable and special purpose securities make up 97% of the outstanding public debt. All marketable securities are issued in book-entry form to a broad spectrum of investors including private citizens, corporate and foreign investors, and state and local Governments. Savings securities, including U.S. Savings Bonds, are owned by some 55 million Americans and make up the other key component of Treasury's financing efforts.

FY 1999 Accomplishments and Results:

- Treasury incurred only 7% late payments to vendors under the Prompt Payment Act in FY 1999 and paid interest on only 2.68% of total invoices. Some late payments cannot be avoided because the Department operates a revolving fund where payments cannot be made until the money has been deposited in the fund.
- To improve the cost effectiveness of financing operations, BPD continues to automate its business activities. Through its website, BPD expanded its e-commerce presence by providing *TreasuryDirect* investors with increased Internet access to account information and the option of buying Treasury securities. They also introduced internet-based bidding in Treasury marketable securities auctions.
- BPD continued to search for new ways to provide easy access to customers purchasing Government securities. BPD implemented the EasySaver plan -- a way for investors to buy savings bonds automatically on a recurring basis. The program is targeted to people who don't have a payroll savings plan where they work or whose banks don't offer such a plan. In addition, BPD's "Home Banking" project encourages financial institutions to offer savings bonds as an on-line option on their home banking sites. Good progress was made with 114 banks offering the option at the end of FY 1999.

Department of the Treasury - FY 1999 Program Performance Report

Following is a report on the performance targets in Treasury's FY 1999 Performance Plan related to this objective:

<i>Departmental Offices Performance Goal: Finance the Federal Government in the most cost effective manner over the long-term.</i>			
Announce Borrowing Policies and Borrowing Requirements to Financial Market Participants in a Timely Manner	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	98%	100%	100%
Explanation of Measure: Treasury provides data to financial market participants with sufficient lead-time to avoid surprises.			

<i>Bureau of the Public Debt Performance Goal: Provide quality service to purchasers of savings bonds.</i>			
Percentage of Over-the-Counter Saving Bonds Issued within Three Weeks	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	100%	95%	99%
Explanation of Measure: Customers can purchase savings bonds directly from more than 30,000 financial institution locations throughout the country. This measures the percentage of instances where these over-the-counter bonds are issued within three weeks of purchase.			
Percentage of Customer Service Transactions Completed within Four Weeks	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	93%	90%	97%
Explanation of Measure: Savings bonds have been sold for more than 50 years and the records are maintained in a variety of forms by the BPD. Individuals who need to have savings bonds reissued to reflect new ownership or to replace bonds that have been lost or stolen submit their requests to the Bureau.			

<i>Bureau of the Public Debt Performance Goal: Meet the borrowing needs of the Federal Government.</i>			
Percentage of Marketable Securities Auctions Conducted without Error	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	100%	100%	100%
Explanation of Measure: The BPD conducts approximately 150 auctions a year, receives roughly \$5 trillion in bids, and issues more than \$2 trillion of securities to finance Government operations. This measures the level of error-free auctions.			

Department of the Treasury - FY 1999 Program Performance Report

Bureau of the Public Debt Performance Goal: <i>Meet the borrowing needs of the Federal Government.</i>			
Percentage of Time Auction Results are Announced within One Hour	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	98% (Corrected Actual)	90%	100%
Explanation of Measure: To maintain an efficient market for Treasury securities and to minimize uncertainty in these markets, it is important that Treasury's securities auctions be completed and the results announced as quickly as possible. This measures the percentage of time the results are announced within one hour of the close of the auction.			
Percentage of TreasuryDirect Customer Service Transactions Completed within Three Weeks	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	99%	90%	98%
Explanation of Measure: There are approximately 750,000 <i>TreasuryDirect</i> investors who hold Treasury bills, notes and bonds. This is a customer service measure of the percentage of time TreasuryDirect transactions are completed within 3 weeks of receipt.			
Percentage of TreasuryDirect Interest and Redemption Payments Made Timely	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	100%	100%	100%
Explanation of Measure: Timely payments bolster investor confidence and ensure that Treasury securities remain an attractive investment option. This is a customer service measure of the percentage of time <i>TreasuryDirect</i> payments are made when due.			
Percentage of TreasuryDirect Interest and Redemption Payments Made Accurately	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	100%	100%	100%
Explanation of Measure: Virtually all payments are calculated automatically by automated systems. This is a customer service measure of the percentage of time TreasuryDirect payments are accurately made.			
Percentage of Commercial Book Entry Interest and Redemption Payments Made Timely and Accurately	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	100%	100%	100%
Explanation of Measure: More than \$3 trillion of Treasury's outstanding debt is maintained in accounts on the Commercial Book Entry system. The operations and computer systems that comprise the commercial book-entry system annually make interest and redemption payments totaling over \$2.2 trillion. This is a customer service measure of the percentage of time these payments are made both accurately and timely.			

Department of the Treasury - FY 1999 Program Performance Report

Bureau of the Public Debt Performance Goal: Meet the borrowing needs of the Federal Government.

Percentage of Government Securities Investment Program (GSIP) Transactions Processed Timely

**FY 1998
Actuals**

**FY 1999
Plan**

**FY 1999
Actuals**

--

100%

100%

Explanation of Measure: Federal Program Agencies contact Treasury daily to request investments and redemptions for more than 200 trust and deposit funds that participate in the Federal Government Securities Investment Program.

Percentage of Government Securities Investment Program (GSIP) Transactions Processed Accurately

**FY 1998
Actuals**

**FY 1999
Plan**

**FY 1999
Actuals**

--

100%

100%

Explanation of Measure: Federal Program Agencies contact Treasury daily to request investments and redemptions for more than 200 trust and deposit funds that participate in the Federal Government Securities Investment Program. This is a measure of the percentage of time these requests are processed accurately.

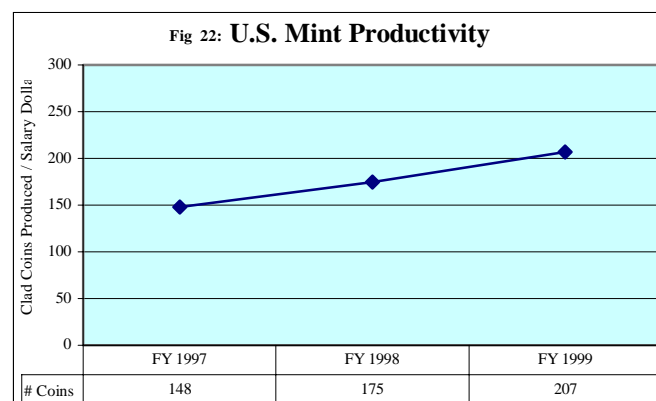
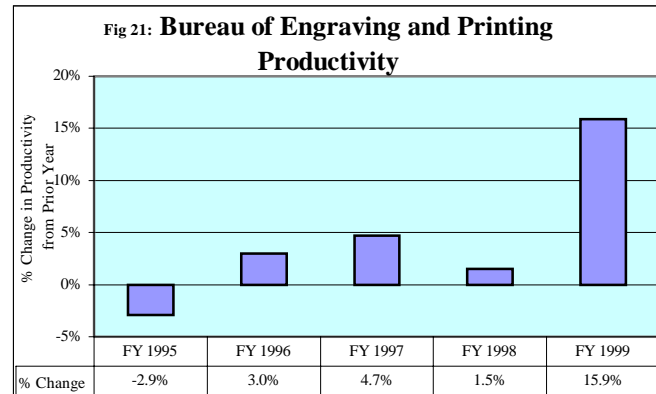
Treasury Objective: Increase the Productivity and Efficiency of Coin and Currency Manufacturing

Key Trends:

Treasury produces and supplies the Nation's coins and currency. In FY 1999, growth in Federal Reserve Bank (FRB) order levels influenced production efficiencies, especially for currency, as increased orders allowed for maximum use of capital facilities. The U.S. Mint (Mint) has made great advances in the production process (e.g. extending dye life, automating coin transfers on the line, increasing line flexibility, etc.) and motivating its employees. The Bureau of Engraving and Printing (BEP) has expanded automated examination of currency to all denominations, greatly increasing productivity and efficiency.

During FY 1999, BEP productivity increased by 15.9% over FY 1998 levels as a result of the record production volume that was accomplished without increasing staff (see Fig. 21).

During FY 1999, the U.S. Mint produced 20 billion circulating coins and shipped 20.4 billion to the Federal Reserve for nationwide distribution to banks, a 24% increase above its projected shipments for the fiscal year. Due to increased demand in FY 1999, the productivity of clad coins (measured as amount produced per payroll dollar) increased by nearly 18% over FY 1998 levels and roughly 40% over FY 1997 levels (see Fig. 22).



Treasury Programs:

- **The Bureau of Engraving and Printing** designs, manufactures, and supplies U.S. currency to meet the requirements of the Federal Reserve Banks. The Bureau conducts extensive research into improving the security features of the currency as well as improving the durability and life expectancy of the notes.
- **The U.S. Mint** produces the circulating coins necessary for the American economy to support commercial activities and maintains adequate inventory levels to meet Federal Reserve Bank requirements. It manufactures numismatic and bullion coins, medals and other coin products for sale to collectors, investors and the general public. In addition, the Mint employs innovative marketing techniques in promoting its numismatic and circulating commemorative coin programs.

FY 1999 Accomplishments and Results:

- **Bureau of Engraving and Printing.** BEP produced and delivered a record 11.4 billion currency notes to the Federal Reserve Banks in FY 1999. To achieve the record currency production demanded by the Federal Reserve, BEP used overtime rather than hiring additional permanent staff. This strategy contributed to the favorable cost results realized in the currency program for the year.

Department of the Treasury - FY 1999 Program Performance Report

FY 1999 was the first year of full production of the redesigned \$20 note, with the Federal Reserve ordering an additional one billion notes of the new \$20 note in place of one billion \$1 notes in the original production plan.

- **The U.S. Mint.** The Mint produced circulating coinage at a historically high rate, increasing by 43% from 14 billion in FY 1997 to approximately 20 billion in FY 1999. Quarter production tripled and clad coin production has doubled since FY 1997.

FY 1999 was the first full year of production for the newly designed quarters. It is notable that the Mint successfully introduced five new coin designs while producing at historical highs. Original estimates for shipments of quarters to the FRB in FY 1999 were 2.8 billion. Due to overwhelming public response, the Mint actually shipped 3.5 billion quarters, 25% over the estimates.

Following is a report on the performance targets in Treasury's FY 1999 Performance Plan related to this objective:

Bureau of Engraving and Printing Performance Goal: Meet customers' delivery requirements cost effectively.			
Federal Reserve Bank (FRB) Currency Orders Met as Requested	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	100%	100%	100%
Explanation of Measure: A measure of BEP's ability to meet customer order delivery schedules. The customer considers this measure satisfied when complete shipments of finished currency are received in the Federal Reserve Vault where it is held prior to final distribution to Federal Reserve District Banks.			
U.S. Postal Service (USPS) Orders Met as Requested	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	100%	100%	100%
Explanation of Measure: A measure of BEP's ability to meet customer order delivery schedules. The customer considers this measure satisfied if all postage product lines (i.e. coils, books, sheets) are shipped by BEP in accordance with shipping/ordering instructions received by BEP directly from Postmasters.			
Change in Productivity from Prior Year (percentage increase or decrease)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	1.5%	Increase Over FY 1998	15.9%
Explanation of Measure: This is a measure of the percentage increase/decrease in BEP's overall productivity from one year to the next. It is measured by using Bureau of Labor Statistics methodology to calculate the increase/decrease in productivity. In this model, the productivity index measures operational output as compared to personnel resource input, to arrive at the number of units produced per workyear. The number of units produced per workyear are compared to the previous year. The change (increase/decrease) in productivity from the prior year is expressed as a percentage.			

Department of the Treasury - FY 1999 Program Performance Report

Bureau of Engraving and Printing Performance Goal: Meet customers' delivery requirements cost effectively.

Manufacturing Cost for Currency (cost per 1,000 notes)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	\$24.34	\$26.50	\$25.87

Explanation of Measure: An indicator of currency manufacturing efficiency, and effectiveness of program management. This standard is developed annually based on the past year's performance, contracted price factors, and anticipated productivity improvements. Actual performance against standard depends on BEP's ability to meet annual spoilage, efficiency, and capacity utilization goals established for this product line.

Manufacturing Cost for Stamps - 100 Stamp Flag Coil Pressure Sensitive (cost per 1,000 stamps)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	\$1.39	\$1.43	\$1.31

Explanation of Measure: The 100 stamp flag coil product line is the major stamp product produced by the Bureau. This measure is an indicator of the efficiency and effectiveness of postage stamp program management. This standard is developed annually based on the past year's performance, contracted price factors, and anticipated productivity improvements. Actual performance against standard depends on BEP's ability to meet annual spoilage, efficiency and capacity utilization goals established for this product line.

Notes returned by Federal Reserve Due to Manufacturing Defect (per billion notes)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	3.9	25.0	21.9

Explanation of Measure: An indicator reflecting the Bureau's ability to provide quality products to our customer. Refers to any manufacturing flaw, which the Federal Reserve determines as rendering the note unsuitable for circulation. (Note that the FY 1999 target level was set higher than the FY 1998 actual. FY 1998 defects were unusually low (3.9 notes returned per billion vs. 21.4 for FY 1996 and 84.6 for FY 1997. Also, in FY 1999, BEP faced a record volume production program in combination with this being the first year of substantial production for the new-design \$20 note.)

Stamps Returned by USPS Due to Manufacturing Defect (per billion stamps)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	51.8	100.0	336.5

Explanation of Measure: An indicator reflecting the Bureau's ability to provide quality products to our customer. Refers to any manufacturing flaw that the Postal Service determines to be unacceptable.

Explanation of Shortfall: The measure was not met because of a defect in two 3,000 stamp coils. Since stamp-manufacturing defects are measured on an individual stamp basis, the defective 3,000 stamp coils are included in the defect statistic as 6,000 defects. This had a disproportionate impact on FY 1999 defect results for the stamp program, in so far as, the 3,000 stamp coil product comprised less than 9% of total deliveries to the Postal Service for the year. In FY 2000, automated inspection equipment is being brought on-line which should improve performance in this area.

Department of the Treasury - FY 1999 Program Performance Report

Bureau of Engraving and Printing Performance Goal: Continue to provide reliable and timely financial information for executives and program managers.

Annual Financial Statement Audit Opinion	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	Unqualified opinion	Unqualified opinion	Unqualified opinion

Explanation of Measure: This measure represents an assessment by an independent, certified public accounting firm of the integrity of the Bureau's revolving fund and the reliability of financial data used for managerial decision-making.

U.S. Mint Performance Goal: Produce coins and maintain inventories at sufficient levels to meet Federal Reserve Bank (FRB) requirement.

Frequency of Time Meeting a Minimum Inventory Level	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	81.8%	100%	42.3%

Explanation of Measure: This measure is used to evaluate the Mint's ability to meet the minimum inventory levels required by the Federal Reserve Bank (FRB). Data to measure performance is obtained from the Mint and FRB coin inventory reports.

Explanation of Shortfall: The FY 1999 actual minimum inventory levels fell below planned levels for two reasons: the introduction and resounding popularity of the 50 States Quarter Program; and unexpected demand for all denominations of coins. These factors challenged the Mint's procurement, production and distribution capabilities and thus forced the Mint to tap coin inventories to meet demand. The Mint began accelerating its capital improvement program to deploy more and higher speed manufacturing equipment and technology to boost productivity and expects to rebuild inventories in FY 2000.

Federal Reserve Bank Customer Satisfaction Survey	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	85%	91%

Explanation of Measure: This measure is used to indicate the level of customer satisfaction of one of the Mint's most important customers, the Federal Reserve Banks. The Federal Reserve's twelve district banks are surveyed annually to measure their satisfaction with the Mint's product, customer service, and delivery.

Department of the Treasury - FY 1999 Program Performance Report

U.S. Mint Performance Goal: By 2003, reduce the average cost of circulating coinage by 15 percent (including metal costs). The baseline year is FY 1998.

Average Ccost per 1000 Units of Circulating Clad Coinage	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	\$29.69	\$33.84	\$31.27

Explanation of Measure: This measure is used to indicate the cost-efficiency of the Mint's production of circulating coinage. To compute the average cost per thousand units, total costs are divided by production then multiplied by 1000. The Mint periodically determines average unit production costs and analyzes the related changes. As a result, the unit cost goals may also be revised. The unit cost of production data is obtained from Mint cost accounting reports, and represents manufacturing cost including metal and fabrication.

A change in the denomination mix of coins produced alters the cost, higher denomination coins are more expensive to produce. In 1998, 1.6 billion quarters were shipped. This represents 28% of clad coins shipped and 10% of all coins shipped. The 1999 plan, \$33.84, projected quarter shipments to be 53% of clad coins shipped and 17% of all coins shipped.

Average Cost per 1000 Units of Circulating Pennies	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	\$8.84	\$7.69	\$8.35

Explanation of Measure: This measure is used to indicate the cost-efficiency of the Mint's production of circulating coinage. To compute the average cost per thousand units, total costs are divided by production then multiplied by 1000. The Mint periodically determines average unit production costs and analyzes the related changes. As a result, the unit cost goals may also be revised. The unit cost of production data is obtained from Mint cost accounting reports, and represents manufacturing cost including metal and fabrication.

Explanation of Shortfall: During FY 1999 the cost of metal was responsible for driving the average actual production cost above the average planned cost. Despite this shortfall, the Mint is confident of reaching its five-year goal.

Clad coins Produced per Circulating Coin Production Payroll Dollar	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	175	170	207

Explanation of Measure: This measure is used to evaluate circulating productivity by providing a return ratio from production resources. Clad coins are defined as all coinage excluding pennies.

Department of the Treasury - FY 1999 Program Performance Report

U.S. Mint Performance Goal: Increase the contribution margin of the numismatic/bullion operation by aggressively pursuing new customers, new market channels and new product lines.

Numismatic/Bullion Contribution Margin for Bullion	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	1.00%	1.59%

Explanation of Measure: This measure compares the Numismatic contribution margin -- defined here as the excess of sales less all expenses other than General & Administrative -- for bullion, as a percentage of bullion sales.

Numismatic Contribution Margin for Non-bullion	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	15%	22%

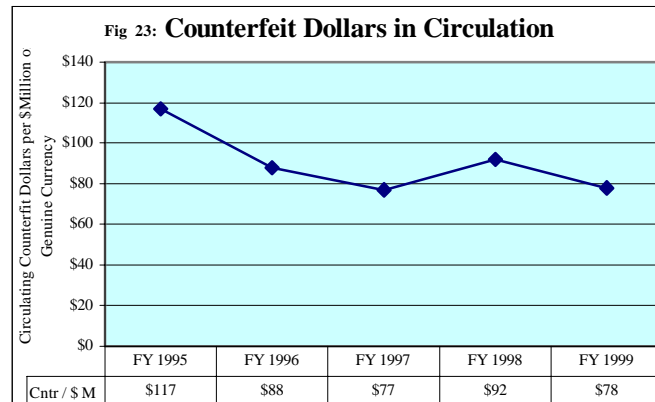
Explanation of Measure: This measure compares the Numismatic contribution margin -- defined here as the excess of sales less all expenses other than General & Administrative -- for non-bullion, as a percentage of non-bullion sales.

Treasury Objective: Continue to Explore Mechanisms for Maintaining the Integrity of U.S. Coin and Currency

Key Trends:

The recent advances in the technology available to counterfeiters require that counterfeit deterrence efforts continue as one of Treasury's priorities. Maintaining the integrity of U.S. currency is essential to the stability of both the domestic and global economy. Both the relatively stable purchasing power of the U.S. dollar and its wide acceptance as a form of payment worldwide increase the importance of maintaining its security and integrity.

A key indicator for this objective is the amount of counterfeit currency in circulation, which has been relatively stable over the past five years, ranging between roughly \$80 to \$120 per million dollars of genuine currency (see Fig 23).



Treasury Programs:

The Bureau of Engraving and Printing (BEP) maintains its efforts to improve currency security features aimed at thwarting technological advances available to counterfeiters. BEP works with the Advanced Counterfeit Deterrence Steering Committee (which includes the U.S. Secret Service, Treasury policy officials, and the Federal Reserve) to monitor counterfeiting activities and to develop appropriate strategies to avert counterfeiting. BEP works with the public and private sectors to explore technologies in the rapidly developing field of counterfeit deterrence.

The U.S. Mint safeguards the Government's stock of gold and silver bullion, coins, and coinage metals held at Fort Knox, Kentucky and other locations.

FY 1999 Accomplishments and Results:

- **Bureau of Engraving and Printing.** During FY 1999, fewer than 250 notes out of a total production of 5.4 billion redesigned notes were returned by the Federal Reserve Board because of counterfeit deterrence defects. This number illustrates the high-level of quality control in BEP's manufacturing and design processes.

The BEP also worked with 23 countries over the past year to evaluate designs aimed at defeating computer-generated counterfeits. A new series of redesigned \$5 and \$10 notes was introduced and will be issued in FY 2000, culminating several years' work in counterfeit deterrent design, development and testing.

Department of the Treasury - FY 1999 Program Performance Report

Following is a report on the performance targets in Treasury's FY 1999 Performance Plan related to this objective:

U.S. Mint Performance Goal: *Provide a level of security commensurate with changing threats.*

Dollar Losses per Billion Dollars of Reserve Value	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	--	\$0.0	\$0.0

Explanation of Measure: This measure compares the market value of annual losses with the market value of the protected monetary assets held by the Mint. The Mint's goal is to provide a level of security commensurate with changing threats to protect Mint human and physical resources and the assets of the United States. A loss has been defined as "The cumulative actual Government and physical monetary loss that has been: 1) reported, 2) investigated, and 3) verified as unrecoverable." Reserve value is custodial gold and silver reserves and operating gold and silver from inventory as stated in Mint annual financial statements.

Bureau of Engraving and Printing Performance Goal: *Produce consistently high-quality counterfeit deterrent notes.*

Notes returned by the Federal Reserve Bank Due to Counterfeit Deterrence Defects (per billion notes)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	4.9	20.0	45.3

Explanation of Measure: An indicator reflecting the Bureau's ability to provide effective counterfeit deterrent products. This measure focuses on manufacturing flaws related to counterfeit deterrence features of new design currency. Counterfeit deterrence defects are of the following types:

1. Defects of covert features, (machine-readable) which prevents authentication by commercial automated cash handling equipment.
2. Defects of overt features, (visible to the human eye) which may be confused by the user as a counterfeit note rather than an imperfect genuine U.S. Currency note.

Explanation of Shortfall: The target was not met because of a program change requested by the Federal Reserve. The Federal Reserve ordered an additional one billion notes of the new design \$20 notes in place of one billion \$1 notes in the original production plan. During the first year of full production of the new \$20 note, we expected a slightly higher defect rate for these notes. With an increased proportion of the new design production program dedicated to the new \$20's, the overall defect rate for new design production (\$100's, \$50's and \$20's) was slightly higher than planned. With a stable program in FY 2000, corrective action should not be necessary.

Department of the Treasury - FY 1999 Program Performance Report

Bureau of Engraving and Printing Performance Goal: *Maintain an accurate and cost effective system of accountability for Bureau products, which will ensure that products are accounted for during production and that customers receive the correct quantities of product.*

Currency Shipment Discrepancies (per billion notes)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	19.2	10.0	9.2

Explanation of Measure: An indicator reflecting the Bureau's ability to provide effective product security and accountability. This measure refers to product overages or shortages of as little as a single currency note, in shipments of finished notes to the Federal Reserve Banks.

Postage Stamp Shipment Discrepancies (per million stamps)	FY 1998 Actuals	FY 1999 Plan	FY 1999 Actuals
	12.8	20.0	14.0

Explanation of Measure: An indicator reflecting the Bureau's ability to provide effective product security and accountability. Because stamp products are packaged and sold to the Postal Service, in either a coil, book, or sheet of varying subject sizes (e.g. 100 stamps per coil, 20 stamps per book, etc.), a discrepancy of one stamp coil could translate to a reportable discrepancy of 100 stamps. (A 100 stamp coil equals 100 individual stamps.)